The Incorporated Accountants' Journal.

THE OFFICIAL ORGAN OF

The Society of Incorporated Accountants and Auditors

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Professional Notes.

THE Council of the Society of Incorporated Accountants and Auditors, at their meeting on May 19th, passed a resolution tendering the congratulations of the members of the Society to the Institute of Chartered Accountants in England and Wales upon the celebration of its Jubilee. The President, Mr. Henry Morgan, intimated to the Council that he had anticipated the passing of the resolution by forwarding during the Jubilee Week to the President of the Institute a letter which practically embodied the terms of the resolution.

The dinner in the Guildhall, London, to celebrate the fiftieth anniversary of the grant of a Royal Charter to the Institute of Chartered Accountants in England and Wales brought together a thoroughly representative and distinguished company in honour of the occasion. Sir William Plender is an ideal President, and he discharged the duties of welcoming the Institute's guests and of conducting the proceedings after dinner in a manner which ensured the goodwill and happiness of all present. The President's telegram to His Majesty the King was a happy thought, and the reading of the King's reply evoked enthusiasm.

The Lord Chancellor, Lord Sankey, proposed the toast of the Institute in a lucid and interesting speech, and cited facts and figures as to the Institute's history and progress without resorting to a single note. Lord Arnold, in responding for the House of Lords, interested the company by saying that he had passed the Institute's final examination but had never proceeded to practice. It was, he said, probably on account of this accomplishment that he had been given the post in the Government of Paymaster-General, to which neither duties nor emoluments were attached. The absence of the Lord Chief Justice, Lord Hewart, on account of illness, was generally regretted, but it brought into the toast list the ever popular Mr. Justice Eve, who had a cordial reception. The Attorney-General, Sir William Jowett, made some critical observations in regard to the drafting of Finance Acts.

This is a suitable opportunity, in our opinion, for tendering cordial congratulations to our contemporary, *The Accountant*, on the issue of the Institute Jubilee Number on May 17th, which contained a full history of the growth of the Institute. Three supplements depicting the Institute Hall, a portrait of Sir William Plender, the President, and the arms of the Institute in colour, were also included as mementoes of the jubilee celebrations. *The Accountant* has its own place in the well ordered professional progress of the last fifty years, and we are glad to make this acknowledgment the sincerity of which will not be doubted because our views are not always in accord with those of our contemporary.

At the meeting of the Council of the Society of Incorporated Accountants and Auditors held immediately after the 45th annual meeting, Mr. Henry Morgan and Mr. E. Cassleton Elliott were unanimously re-elected President and Vice-President of the Society. The President and Vice-President have devoted themselves assiduously to their duties, and Mr. Morgan has enhanced his reputation by his free and outspoken criticisms on matters affecting the accounts of public companies and auditors' certificates thereon.

At the Council meeting on the same day Sir James Martin resigned the position he had held for 34 years as representative of the Society on the Council of the London Chamber of Commerce, and Mr. Henry Morgan was appointed to succeed him in this capacity. Sir James will continue to serve on the Council of the Chamber in the capacity of a Vice-President.

The text of the Finance Bill is now available and the amendments of the law which were indicated briefly by the Chancellor of the Exchequer in introducing the Budget are now before us in more precise form. Members of the Government have criticised, not unreasonably, the complicated nature of the provisions contained in previous Finance Acts, on the ground that they were not intelligible to the ordinary taxpayer. The present Bill, although not open to this criticism to the same extent, is not by any means simple. For instance, Clauses 29 to 33, which deal with Estate Duty where property of the deceased has been transferred to a private company, are so qualified with exceptions and reservations that it will be found no easy matter to apply the provisions to any particular case.

The Chancellor has, we think, made an unprecedented departure from recognised practice in increasing the rates of Sur-tax for the year 1929-30, which were fixed by the Finance Act of 1929. We do not see how it can reasonably be argued that the 1929 Act was not the proper one in which to fix these rates, because Sur-tax is merely an additional Income Tax, and, although not collectable until January, 1931, is nevertheless a tax in respect of the year 1929-30. The rates having been already fixed a year ago, taxpayers naturally made their arrangements for meeting their liability in accordance therewith, and it will certainly be a hardship upon them to be called upon now to make a further provision. Notwithstanding what Mr. Snowden said, we cannot help regarding this procedure as retrospective legislation.

Another provision of the Bill which is contained in Clause 11 (3) will, we imagine, give rise to a great deal of criticism and not a little surprise when it comes to be applied in practice. The effect of the proposed enactment is that, for the purpose of assessments to Sur-tax, certain dividends from which tax at the rate of 4s. in the £ was deducted will be grossed as if tax had been deducted at the rate of 4s. 6d. In the ordinary course taxpayers have only to look at their dividend warrants to ascertain the gross amount of the dividend declared and to include this in their returns for the purpose of total income. They will accordingly be surprised to find that this will not now be accepted, but that, in the case of some of their dividends, they will be required to return a larger amount to the extent of the difference between the standard rate of tax last year and the corresponding rate this year.

The avoidance of Sur-tax by means of single premium assurance policies is dealt with in Clause 12, which provides that no deductions shall be allowed in respect of any interest on any borrowed money which has been applied directly or indirectly towards the payment of one or more of these premiums or of any payment made in lieu of same. We imagine that it will sometimes be difficult to decide definitely whether money is borrowed for the purpose of paying such premiums or not, because the borrowed money may be applied to other purposes and so long as the taxpayer has sufficient liquid resources at his disposal to pay the premiums without this borrowed money, it can hardly be said that the money was borrowed for that purpose. Of course, if the borrowings are secured on the assurance policy no reasonable doubt can arise.

The provision contained in Clause 14 (with the object of giving relief where a new concern commences business with a profitable year) will be welcomed, as cases have frequently arisen where there has been a distinct hardship. The clause is to apply to trades, professions and vocations set up or commenced in the year 1928-29, or any subsequent year of assessment.

It will probably be remembered that Rule 11 of Cases I and II of Schedule D of the Income Tax, 1918, was redrafted by sect. 32 of the Finance Act, 1926. This is the rule which relates to changes in a partnership, and enables the reconstructed firm to be treated as having commenced a new business if notice to this effect is given by all the parties concerned within three months after the change took place. Three months was

obviously too short a time, and Clause 15 of the Bill gives an extension to twelve months.

It is proposed to authorise the Special Commissioners to require any body of persons, whether incorporated or not, to supply a copy of the whole or part of any register of shares, stock or debentures upon payment of 5s. for each 100 entries. The copies must be supplied within a specified time, and the Secretary or other responsible officer is under a severe penalty for default. It is no doubt considered that the placing of this power in the hands of the Special Commissioners will be sufficient safeguard against its abuse. The information will be requisitioned for the purpose of disclosing sources of income or confirming the accuracy of particulars supplied by the taxpayer.

For the purpose of assessments under Schedules A and B it is proposed to bring the Metropolis into line with the rest of the country by having a separate valuation for Schedule A as distinct from the rating valuation. The new quinquennial re-valuation will be effected so as to come into operation in the year 1931-32, and as from April 6th, 1931, sect. 45 of the Valuation (Metropolis) Act, 1869, will cease to have effect as a basis of value for the purpose of the Income Tax Acts.

In April, 1928, there came into operation a new method of assessing a business upon its conversion into a limited company. Since then the question has frequently arisen as to what should be regarded as the date of the succession, the execution of the agreement being sometimes delayed for several weeks after the terms had been settled by interviews or correspondence. A case in point (*Jones Bros.*, Manchester) came before Mr. Justice Rowlatt last month on an appeal by the Crown from a decision of the Special Commissioners in favour of the taxpayers. The negotiations for the sale were embodied in correspondence before April 5th, but the formal contract was not entered into until the 18th of that month. His Lordship said that he could not do otherwise than allow the appeal. The question was whether there was a succession before April 5th or not. The correspondence showed that, although the terms were generally accepted by the company on March 20th, the acceptance was subject to the terms being fully set out in a formal contract, and therefore the transfer did not actually take place until that contract was executed. This case hardly bears out a report that the Inland Revenue are disposed to take a liberal view in cases of this character.

Another case on the subject of the assessment of property-owning companies was decided by Mr. Justice Rowlatt in relation to the affairs of the *Improved Industrial Dwellings Company, Limited.* The property consisted of blocks of flats which hitherto had been assessed for the purpose of Schedule A as separate flats, thus enabling the company to claim Income Tax allowances in respect of voids of one or more flats although others in the same block were occupied. The Inland Revenue now claimed to assess these flats in blocks, each assessment including all the flats in one block which were approached from the street by the same entrance. The assessment was arrived at by adding together the gross values in the valuation list of all the flats comprised in the block. The effect of this was not only to deprive the company of allowances for empties, but also to decrease the allowance for repairs. The Crown contended that the unit of assessment was each group of flats, in accordance with Rule 8 (*c*) of No. VII of Schedule A, notwithstanding that they were within the area of the Valuation (Metropolis) Act, 1869.

In giving judgment in favour of the Crown his Lordship said that the grouping under Rule 8 (*c*) was in obedience to sect. 45 of the Valuation (Metropolis) Act, and that that rule had nothing to do with valuation, but only with the aggregating of assessments. No alteration in values had been made. What had been altered was the unit of assessment, and all that had been done was to apply a provision which said that the landlord was to be assessed, and in doing so only one assessment was to be made.

The precise effect of sect. 17 of the Income Tax Act, 1918, has often been questioned. The section relates to the deduction of one-sixth from earned income for the purpose of taxation. As originally worded the section appeared to give relief in respect of the whole of the earned income, but an amendment by the 1920 Act introduced the words "allowance or deduction" in place of "exemption and abatement," with the consequence that it was difficult to resist the contention that the amount on which the earned income relief was to be given should be reduced by any payment which the taxpayer was liable to make out of his earned income to any other person and from which he was entitled to deduct the tax. The point came before Mr. Justice Rowlatt last month on a case stated at the instance of Mr. T. J. B. Adams for the opinion of the Court. After reviewing the position, his Lordship said the only way he could apply the rule was to hold that in making calculations

for the purpose of assessment any earned income which was to be handed on to anyone else should not be brought into the calculation.

A decision, of which more is likely to be heard, has just been given by Mr. Justice Rowlatt in the case of *Gimson* v. *Commissioners of Inland Revenue*. It was apparently in the nature of a test case, the point at issue being whether a shareholder who had received a dividend from a company out of profits which, in the circumstances, were not subject to Income Tax, was liable to Super Tax thereon. The fund out of which the dividend was paid consisted partly of profits which were admittedly of a capital nature and partly of interest on war loan, foreign and colonial dividends, &c., which for various reasons were not assessable to Income Tax.

The Inland Revenue Authorities did not claim Super Tax on the proportion of the dividend paid out of capital profits, but they maintained that the remainder, "grossed" at the standard rate, should be included in the taxpayer's super tax return. The Attorney-General, on behalf of the Crown, contended that, although no claim had been made in this particular case in respect of that part of the dividend paid out of capital profits, the whole dividend was liable to Income Tax by direct assessment under Case VI of Schedule D, or alternatively, that it came under Rule 21 of the All Schedules rules, and that the company ought to have deducted tax when making the payment.

The Special Commissioners decided in favour of the Crown, but when the case came before Mr. Justice Rowlatt he accepted the view put forward on behalf of the taxpayer that as the dividend was paid out of profits not liable to Income Tax there was no liability to Super Tax, and accordingly allowed the appeal.

An interesting point in relation to the alteration of a bill of exchange came before Mr. Justice Rowlatt in a claim by *Credit Foncier d'Algerie et de Tunisie* v. *The American Trading Company*. The bill was drawn by a third party, accepted by the defendant company, and discounted by the plaintiff bank. The alteration related to the date for payment of the bill and was made by the drawer before the bill was discounted. The drawer became insolvent and one of two innocent parties had to suffer. The question before the Court was whether the alteration was made with the authority or assent of the acceptors within the meaning of sect. 64 of the Bills of Exchange Act. The defendant company denied assent to, or knowledge of, the alteration. In giving judgment his Lordship said that the alteration referred to destroyed the document according to English law, except as against a party who assented to the alteration, and that such assent must be the physical act of altering the writing on the document. In the present case there was no evidence at all that the defendant company had assented to that alteration, and judgment was accordingly given in their favour.

An Advisory Committee has been formed for the purpose of inaugurating an Intensive Business Course for those who leave public schools or Universities with the intention of entering business. The first object of the course will be "to impart to trained minds a knowledge of the material which is common to all business," and the second "to ease the absorption into the organisation in which employment will be sought by adjustment to the new environment." Sir Michael Sadler, speaking at the inaugural luncheon, said the course would require young men and women to accustom themselves betimes to the hours of a business life and to the stringency of its requirements as to punctuality and the giving up of pleasure to the call of business. At the close of a University course there was a brief interval in which a young man needed to be plunged into an atmosphere in which he would begin to understand the new problems of commercial life. An experienced business man who had introduced into his business young men direct from the University told him that he had given it up in despair. There was too great a gap between them and the rest of the staff. The intensive course, said Sir Michael, was intended to bridge that gap, and it was hoped to condense into several months what in ordinary business life took several years.

The managing director of the *Commercial Timber Company* having been awarded damages for wrongful dismissal, the company appealed against the decision on the ground that as a shareholder he had voted for the voluntary winding-up of the company, and that his dismissal having been occasioned by the winding-up he could not claim damages for what he had consented to. The Court of Appeal held that there was no term in the contract of service from which it could be implied that it was to come to an end on the winding-up of the company, and they accordingly dismissed the appeal without calling upon counsel for the respondent.

THE SOCIETY'S 45TH ANNUAL MEETING.

IN another column we take note of the interesting celebrations of the Jubilee of the Institute of Chartered Accountants in England and Wales. We are also printing the evidence of the witnesses of the Society of Incorporated Accountants and Auditors before the Departmental Committee on the Registration of Accountants, having received permission for the purpose from the appropriate authority. Notwithstanding this enquiry, the contest as between the Institute and the Society on the one hand, and the London Association of Accountants, Limited, on the other, as to the qualifications of auditors to Municipal Corporations continues to be waged before Select Committees of the House of Lords and the House of Commons. During the last two or three years the accountancy profession has bulked largely in the public eye. This is mainly owing to the passing into law of the new Companies Act as the result of the labours of the Government Committee, a due share of which was undertaken and performed by an Incorporated Accountant. These matters all came under review by the President, Mr. Henry Morgan, in his speech delivered before the members of the Society of Incorporated Accountants and Auditors at the 45th annual meeting, at which it is satisfactory to note there was a large and representative attendance.

In moving the adoption of the report and accounts, the President dealt with the Society's finances in special relation to the first year at Incorporated Accountants' Hall, and stated that in his opinion the result was satisfactory. In regard to Incorporated Accountants' Hall, Mr. Morgan said that experience indicated that the hopes and expectations of the most enthusiastic advocates for its acquisition would be fully realised. The Hall had been found admirably suited to the Society's needs, and the demand for its use for the purposes of meetings and other functions had rapidly increased. The President made reference to the International Congress on Accounting held in New York last autumn at which a delegation from the Society was present, headed by the then President, Mr. Thomas Keens. He also referred in cordial terms to the visit of the delegation to Canada, and stated that an invitation had been given on behalf of the Institute and the Society for the next Congress to be held in England, the date of which had not yet been fixed.

Mr. Morgan has invariably adopted a strong attitude in connection with the balance-sheets and accounts of companies and their audit, and he gave it as his considered opinion that the effect of the extended provisions in the new Companies Act had already been seen in the greater freedom of auditors' certificates and the strong line taken by them in the case of certain public companies, and he expressed the conviction that the extended requirements of the Act in regard to balance-sheets and profit and loss accounts would tend to mitigate some of the evils which had been so regrettable a feature of joint stock company practice during recent years. In drawing attention to the current year's Finance Bill and other measures before Parliament, he said that if they became law they would most certainly add to the scope of the professional accountant's activities. Reviewing the proceedings of the Local Legislation Committee of the House of Commons on the Cardiff Corporation Bill, Mr. Morgan said that in his opinion the Local Legislation Committee of this year had prejudged the very issue which the Committee of last year had said should be gone into, and which had been referred by the President of the Board of Trade to the Departmental Committee, and he mentioned that in the House of Lords on the Reading Corporation Bill the Committee had declined to amend the usual audit clause which limited the appointment of auditors to Chartered and Incorporated Accountants.

From the point of view of the accountancy profession, Mr. Morgan ventured the opinion that the most important event for many years past had been the revival as an immediate issue of the vital question of registration. He reviewed the events of the last 30 years as affecting accountants, and said that even the strongest opponent of registration would be prepared to admit that had a Registration Act been passed a quarter of a century ago the difficulties from which the public and the profession are suffering to-day would be practically non-existent. After pointing out that the Society had never altered its policy with regard to Registration, he reviewed the proceedings which had led up to the appointment of the Departmental Committee, and made acknowledgments to those who had prepared the case for registration put forward by the Society's witnesses, and expressed his appreciation of the services which had been rendered in this respect. In regard to the resolution of the Council of the Institute of Chartered Accountants that if registration of practising accountants is enforced by the Legislature, the members of the Institute should be excluded from the provisions of such legislation, Mr.

Morgan emphasised the statement of the Society's witnesses before the Departmental Committee that the Society was opposed to any such exclusion, and that any Registration Bill which was put forward must, in its opinion, deal with the profession as a whole. He also took the opportunity of pointing out to the meeting that although the Institute and the Society were incorporated in different ways, the Charter did not confer upon the Institute powers that were dissimilar to those enjoyed by the Society. The Institute had the right exclusively to create Chartered Accountants in England and Wales, and the Society had the right exclusively to create Incorporated Accountants. Neither Chartered Accountants nor Incorporated Accountants owed their outstanding positions to the precise form of their incorporation. These positions had been established by the reputation and character and professional skill and ability of the members, and Mr. Morgan referred once again to the terms of the judgment in the year 1907 in regard to the designation "Incorporated Accountant," wherein it was laid down that this designation conferred upon members of the Society the privilege of being looked upon by persons who had dealings with accountants as holding a certain definite status indicating reliability and integrity.

In the debate which followed the President's speech, the subject of Registration naturally came to the fore. The views of the London members appeared to be conveyed by Mr. R. A. Witty, who said it was not going to result in any immediate benefit to the members of the Society, but because they believed that it was desirable to have some standardising of qualifications for the whole profession which would lead to the ultimate good of the profession as a whole, they were prepared to go forward with the question even though it might entail some sacrifice on the part of the present members of the Society. On the other hand, Mr. Percy H. Walker, of Cardiff, expressed the view of a large number of provincial members when he said they did not regard with the same temerity or diffidence as the London members what might happen in the case of registration. They were wholeheartedly for it. Judging from some of the observations put forward, both at the meeting and elsewhere, we would ask that general impressions should be corrected by a perusal of the evidence of the Society's witnesses before the Departmental Committee. There is no question of the Council surrendering voluntarily any rights or privileges which Incorporated Accountants now enjoy. The question which, in our opinion, needs serious consideration, is whether or not registration will level up the status of a number of persons whose existing qualifications do not entitle them to some measure of public confidence. This position has got to be faced, and in our opinion it is better to face it voluntarily than under some form of compulsion from outside. We have already pointed out that the President of the Society intimated at the meeting that we are suffering to-day from the neglect to deal effectively with the matter at a time when Chartered and Incorporated Accountants practically had the position in their own hands.

It is satisfactory to note that Incorporated Accountants appreciate the difficulties of the Council of the Society and the manner in which they meet them. The debate at the annual meeting was helpful and the resolutions submitted by the Council were passed with unanimity.

EXPENSE OF LITIGATION.

[CONTRIBUTED.]

THE present high cost of litigation forms the subject of an invaluable Report recently prepared by a special sub-committee of the Parliamentary and Commercial Law Committee of the London Chamber of Commerce. It is signed by Mr. George R. Freeman, F.C.A. (a Past President of the Institute of Chartered Accountants), Sir James Martin, J.P. (a Past President of the Society of Incorporated Accountants and Auditors), Mr. Sydney Leader and Mr. E. G. Roscoe (two eminent solicitors), Mr. W. H. Stentiford, F.C.I.S. (a Past President of the Chartered Institute of Secretaries), and Mr. K. G. R. Vaizey (the well known insurance broker, representing Lloyds on the International Chamber of Commerce). Two annexes to the Report set forth letters from a firm of English solicitors practising in Germany, and from a well known French lawyer enjoying a leading practice in maritime and commercial cases (including suits heard in the English Courts), which respectively offer valuable observations on German and French systems of dealing with the problems covered by the Report.

The views of members of the English Bar are not in detail specifically referred to; it may be useful, accordingly, to examine their attitude as it has been expounded from time to time.

The sub-committee confined itself to litigation as it is conducted in the High Court, but it included, significantly enough, arbitration in so far as that is conducted on lines analogous to High Court procedure.

The legal profession is exonerated from the allegations frequently made or suspicions entertained by litigants that their remuneration is excessive; it is pointed out that approximately the same net income is earned by all moderately successful professional men, be they accountants, lawyers or doctors.

Nevertheless, to the litigant the cost of engaging in a suit is greater than it need be. For this the blame is laid at the door of the legal system and procedure, the defects of which are examined in some considerable detail, and suggestions for their removal are put forward.

It is emphasised that our system is admirable in quality; unfortunately, it has not been adapted to the markedly changed circumstances of the whole of our industrial and commercial life with which after-war conditions have confronted us. Justice administered by it is beyond reproach, except for the fact that it has become a luxury which only the extremely rich or the extremely poor (who are catered for by the gratuitous services rendered by the legal profession) can enjoy. Ruthless economy has become essential in all departments of our social organisation, and is being given effect to almost everywhere except in the Law Courts.

The satisfactory adjustment of commercial disputes —the only section of High Court litigation with which the Report concerns itself—is, of course, an indispensable adjunct to the conduct of commercial enterprises. These inevitably include a large proportion of contracts involving questions of insurance and shipping and the like, where one of the parties is carrying on business abroad. English Courts of Law are invoked for the purpose of adjudicating upon innumerable suits to which foreigners are parties, so that it becomes all the more desirable that the English system and procedure should not compare unfavourably with the standards of foreign countries as regards the question of costs. It is not merely consumption of money which is in question; an equally important consideration is the expenditure of valuable time which is the concomitant of suits as at present conducted.

The legal profession consists of two distinct branches—a sub-division which does not obtain in most foreign systems and in few of our overseas Dominions. The view is expressed in the Report that the abolition of this sub-division would be an advantage. Legal opinion appears to be that even if such a fusion were practicable little economy of money could be derived from the change, though in the eye of the litigant this might seem to be the case, for he would be called upon to meet one inclusive set of costs instead of, as now, two. At any rate, even under those systems which have a legal profession as one undivided entity, where lawyers carry on their professional business in firms, it has been found by experience to be expedient that some members of the firm in any given case should concentrate on the advocacy side—the work undertaken by barristers in England—whilst other members are thereby left free to attend to the office labours, including the general management of business affairs which clients entrust to lawyers. The sub-division of functions, in a word, tends to survive the fusion of the two branches of legal activities. Lawyers for the most part are, nevertheless, in agreement with the desired proposals tending to economy if and when they can be shown to be practicable.

Thus the abolition of the two-thirds rule (whereunder a junior counsel's fee at the trial is in that proportion to his leader's fee) is urged, provided that the present wholly inadequate fees paid to juniors for the labour entrusted to them prior to the trial are substantially raised. It should be borne in mind that a junior counsel peruses all the papers available in order to advise whether an action ought to be brought, and if so he may be called upon to frame the necessary writ, statement of claim, and so on; the result of the junior's advice is, much more often than not, that no action is in fact launched. Junior counsel are instrumental in settling more incipient suits than is generally remembered, but a great deal of labour and skill on their part is necessary to produce such desirable results. So far as the trial itself is concerned, whilst it is true that the introduction of a leader relieves the junior in many cases from any apparent active work in Court, he is always in readiness to deputise for his leader in the latter's absence, and he it is who has borne the burden of the preparation of the suit for trial, but this hardly justifies an increase of his remuneration proportionate to the very large fees often paid to a special advocate of high reputation.

One of the weaknesses of our system is undoubtedly the difficulty of estimating even approximately the inclusive costs of a projected suit. It is said that in Germany it is possible to fix beforehand a round figure, but it appears that in most cases it has become customary for the lawyer to agree with the client a special fee much greater than he could secure normally under the sliding scale nominally in vogue. In practice, moreover, counsel's fees do tend to be adjusted in some measure to the importance of the issues involved and the amount at stake. Indisputably the recovery of a small sum involves disproportionate expense; this is because the technicality of the system is not adjustable to the amount claimed.

The tendering of evidence by expert witnesses has evoked condemnation; general agreement should be accorded the Committee's suggestion that an Assessor (analogous to those who already sit in the Admiralty Court) should sit with and advise the Judge where technical issues are involved, and that only in suits involving over (say) £2,000 should each party be allowed to put forward an expert, and then not as a witness, but as a demonstrator of the technical points involved. In cases involving (say) £10,000 or more, it is conceded, it may be desirable to permit the calling of one expert witness on either side—following the precedent of sect. 21 (4) of the Landlord and Tenant Act, 1927. The French system described in the communication above referred to, has much to commend it, namely, the maintaining by the Judges of a panel of experts whose impartial written report is deposited with the Judges for their guidance instead of the latter being invited to hear the contradictory testimony of the litigants' own experts.

The prolixity of the interlocutory proceedings should, in the view of the Committee, be rigorously pruned, and the attendance of counsel be dispensed with in applications made in the course of the simpler

suits. The pleadings should be mere statements of the general line of the issues raised without going into the minute particularisation now in vogue. Evidence given at the trial should be reduced in volume; oral proof of documents should be unnecessary unless either party formally challenges them—with the liability to pay the costs of so doing unless the Court regards the challenge as reasonable. Similarly, signed statements of witnesses should be acceptable without submitting each of them to the ordeal of cross-examination, subject, again, to the right of either party to call for the appearance of the witness in the box, with the corollary of liability to meet the cost if the challenge prove unreasonable. Open commissions for the taking of evidence abroad should be abolished, and in their place evidence on affidavit or written answers to written interrogatories should be taken as sufficient. Amongst minor irritations which might be removed is mentioned the requirement of printing; typewriting in these days should meet the necessities.

A business manager should be appointed to supervise the staff arrangements in the Law Courts, including the settling of the lists. Here we come upon a very serious grievance; our system entails not merely judicial sanction to alterations in the places assigned to suits on the lists, but also attendance in waiting, often for many days, before a suit which is in the list is actually brought on for hearing. This involves enormous wasting of time to the parties themselves, their witnesses and their professional advisers.

It would be more economical in the long run, it is thought, that Judges should, if necessary, be occasionally idle waiting for a suit to try rather than that litigants and all their attendants should be kept waiting until a Judge is available to hear their cause. When the lamentable situation in which parties to lawsuits who have to be brought from the remoter provincial centres and from abroad is remembered this might well be the case; whether the commercial community would be willing to bear with equanimity the increased Court fees which such an increase in the man-power of the Bench must necessarily entail is a matter to be considered. Certain it is that the inability of our Courts to fix and rigidly to adhere to a trial date is inimical to the popularity of the Courts and the interests of suitors.

Finally, we arrive at the real crux of the vast problem. It is said that any tribunal in which business men find they are able to repose confidence is preferable to a Court which insists upon technicalities; rough-and-ready justice is cheaper than and generally as good as justice meted out by the Law Courts. The undoubtedly valuable work performed by the numerous associations which provide arbitral tribunals in the corn, copra, oil, leather, produce and a great many other trades may be instanced where rapid, economical decisions are arrived at, satisfactory to the disputants. It is stressed that the volumes in which the procedure of our Courts is set forth are intricate and formidably lengthy. The indictment to which our system must plead guilty rests upon the facts, viz, *The Yearly Supreme Court Practice* (the so-called Red Book) comprises two volumes of closely-printed type extending to about three thousand pages; the *Annual Practice* (the White Book) is of similar length; the mere weight of these tomes is feelingly commented upon—nearly five pounds in the thin paper edition; and it might be added as a further curiosity of our mysterious system that the Orders and Rules of the Court are nowhere obtainable—certainly not from official sources—bound together without comment. In the works referred to small islands of rules are set out surrounded by oceans of notes and cross-references. Even for the most expert of authorities on legal procedure it is often a puzzle of baffling profundity to ascertain the regulations appertaining to any particular sought-for point.

Clearly no reasonable person (and the Report suggests that the lawyers themselves are infinitely more reasonable than the system which they are called upon to administer) would place any obstacles in the path of reformers who seek to reduce legal technicalities to the barest minimum. A note of warning must, however, be sounded. It is not uncommon to find that disputants who have asked for informal hearings are loudest in their complaints when the result is a decision adverse to themselves. The history of arbitration itself shows how difficult it is to depart from formalities in the preparation and hearing of disputes involving questions of law. Indeed, whilst arbitration has justified itself beyond question in cases involving purely technical trade issues (for example, whether a consignment of goods is a valid delivery as understood in the particular trade), other arbitrations have proved more lengthy, costly and annoying than lawsuits. The numerous provisions in the Arbitration Act, 1889, arranging for reference to and supervision by the Courts, are frequently resorted to.

The combined wisdom of our lawyers and men of commerce should prove adequate to devise a more ideal system. Nothing more is here suggested than that remedies which conceivably may prove worse than the diseases must be applied with extreme caution, and that the lawyers of England are themselves enthusiastic in welcoming practicable improvements in our justifiably-cherished venerable system.

Obituary.

FREDERICK STOKES.

We regret to announce the death of Mr. Frederick Stokes, A.S.A.A. Mr. Stokes was admitted to the Society in 1899 and was a partner in the firm of F. Stokes and Ricks, 22, Union Road, Nottingham. He was a brilliant student, taking first place in the Intermediate examination in June, 1896, and first place in the Final examination in 1899.

THE NEED OF A STANDARD.

[CONTRIBUTED.]

IN view of the growing interest in statistics in this country it may be useful to give some indication of the uses to which statistical information is applied elsewhere. For instance, in America a national organisation has been formed for the purpose of arriving at standard figures for various industries, and these standards are used by banks as a basis for granting credit facilities to their customers. Already nearly 100 industries have been covered, and the number of forms in the possession of this agency runs into many thousands.

The procedure adopted by the research organisation is to procure from manufacturers in a given trade information on a standard form. When the information is received a detailed analysis of each of the items on the form is undertaken. In the case of an inquiry relating to a wholesale trade, 166 replies were received, and these were combined in a mass statement as under.

MASS STATEMENT, 166 WHOLESALE CONCERNS

Liabilities.	$	*Assets.*	$
1. Sundry Creditors	75,357	9. Cash ..	11,690
2. Miscellaneous Liabilities	3,875	10. Sundry Debtors ..	64,679
		11. Stock ..	99,389
		12. Securities ..	433
3. Current Liabilities	79,232	13. Miscellaneous Assets ..	1,006
4. Funded Debt	3,194		
		14. Current Assets	177,197
5. Total Debt ..	82,426	15. Fixed Assets	53,442
6. Reserves ..	4,712		
7. Net Value ..	143,501		
8. Total ..	$230,639	16. Total ..	$230,639

(Thousands omitted.)

Having thus got the mass statement, the first procedure is to reduce this to a 100 per cent. basis, as under :—

Liabilities.		*Assets.*	
1. Sundry Creditors	32.67	9. Cash ..	5.08
2. Miscellaneous Liabilities	1,68	10. Sundry Debtors ..	28.04
		11. Stock ..	43.09
		12. Securities ..	.19
3. Current Liabilities	34.35	13. Miscellaneous Assets ..	.43
4. Funded Debt	1.39		
		14. Current Assets	76.83
5. Total Debt ..	35.74	15. Fixed Assets	23.17
6. Reserves ..	2.04		
7. Net Value ..	62.22		
8. Total ..	100.00	16. Total ..	100.00

The object of reducing the statement to a 100 per cent. basis is to facilitate comparison, so that once the standard has been arrived at, the comparison of any particular unit within the group is a simple matter.

The next procedure is to " measure " the statement and to determine what figures should be selected in order to arrive at a correct estimate of comparative values. The most important is the ratio of current assets to current liabilities, and is arrived at by dividing the current assets by the current liabilities. The relationship of these two factors will be obvious and should act as a useful barometer for testing the liquidity of any concern at any particular time. The higher the ratio the freer the concern from debt, and creditors in such a concern would, therefore, have a greater prospect of a ready settlement of their claims.

Next in importance is the ratio of the stock on hand to the Sundry Debtors : Stock on hand divided by Sundry Debtors. This ratio expresses the relationship between stock and debtors, which together form the greater part of the liquid assets of any concern. The fluctuation of this ratio is in a measure a check on the current assets ratio due to the fact that the sale of goods and the transformation of stock into debtors adds a proportionate amount of profit on sale to the assets without any necessary addition to the liabilities. Further, the ratio can be used to note the preponderance of stock or debtors in the Current Assets.

Another item of importance is the ratio of the Net Value to the Fixed Assets : the net value divided by the fixed assets. This represents the proportion between owned capital and money not concurrently invested. Plant should, if possible, be financed from owned capital and the higher this ratio the more liquid the position and the greater the protection for creditors.

A further useful comparison is the ratio of the Net Value to Total Debt : the net value divided by the total debt, including both current and funded. This ratio expresses the proportion between the capital owned by the concern and the capital provided by its creditors. The higher this ratio the easier the debt pressure and the less likelihood there is of any criticism of the concern being short of capital.

When an examination of each of the 166 concerns previously referred to was undertaken, some interesting comparisons were noted. The ratio of current liabilities varied as much as from 131 to 953, as shown hereunder :—

RATIO CURRENT ASSETS TO CURRENT LIABILITIES—
166 WHOLESALE CONCERNS.

Ratios.											
131 to 150	151 to 175	176 to 200	201 to 225	226 to 250	251 to 275	276 to 300	301 to 325	326 to 350	351 to 375	376 to 400	401 to 953
No. of Firms.											
6	16	22	37	21	23	12	5	6	4	6	8

Total : 166

It will be seen from the above that the ratio column 201 to 225 has the largest number of entries. The common ratio figure will therefore be centred around that figure, and if an average of the 37 ratios in that column were made the result would be 210 : this is the modal figure. If the median figure were taken, viz, 83, the figure halfway between the two extremes of the 166 comprising the total, the result would be 226. We therefore have three figures :—

The arithmetical average of the whole ..	223
The modal	210
The median	226
Total	659
Average of these	220

An illustratio nof the principles involved, taken from an actual investigation in America, will, perhaps, help to make the problem a little clearer.

COMPARISON OF ONE ORGANISATION WITH THE STANDARD FIGURES OF GROUP.

	Liabilities.	*Company*	*Group*
1.	Sundry Creditors	27.75	36.97
2.	Miscellaneous Liabilities	2.92	.26
3.	Current Liabilities	30.67	37.23
4.	Funded Debt	34.84	15.93
5.	Total Debt	65.51	53.16
6.	Reserves	—	1.57
7.	Net Value	34.49	45.27
8.	Total	100.00	100.00

	Assets.	*Company*	*Group*
9.	Cash	5.05	5.36
10.	Sundry Debtors	16.17	27.08
11.	Stock	43.94	37.57
12.	Securities	2.16	1.43
13.	Miscellaneous Assets	—	.34
14.	Current Assets	67.32	71.78
15.	Fixed Assets	32.68	28.22
16.	Total	100.00	100.00

Ratios.

	Company	*Group*	Relation to Group expressed in terms of 100.
Current Assets to Current Liabilities	219	193	114
Stock to Debtors	271	139	195
Net Value to Fixed Assets	105	160	65
„ „ Total Debt.	53	85	62
Sales to Debtors	2,131	1,092	195
„ „ Stock	784	681	115
„ „ Fixed Assets ..	1,054	1,026	102
„ „ Net Value ..	999	726	138

Bank managers in America have found information similar to the foregoing of incalculable value. By the determination of standard figures information is at hand that has proved of great value in assessing the figures of any particular unit submitted to them. It is quite probable that a trader can show progressive figures over a number of years which, judged by themselves, would appear favourable, but when compared with the records of the great majority of traders in the same industry as shown by the standard figures of the group, a less favourable rate of progression might be revealed.

The adoption of standard figures such as have been outlined in this article is of importance, not so much for the result that may be fixed for any industry or group, but more for the use of the individual trader in that he can check the progress of his own concern with that of the group to which he belongs.

International Congress on Accounting.

We understand that a full report of the proceedings at the Congress held in New York last autumn is now published in volume form, comprising some 1,400 pages. The price of the publication is $10. Further information will be available through the Secretary of the Society of Incorporated Accountants and Auditors, Incorporated Accountants' Hall, London, W.C.2.

RECEPTION AT INCORPORATED ACCOUNTANTS' HALL.

Opportunity was taken of the presence in London of a number of representatives of the accountancy profession from Overseas to entertain them at a reception and dance at Incorporated Accountants' Hall on May 19th. Invitations were also extended to British representatives who attended the International Congress on Accounting, New York, in September, 1929.

The guests were received by the President, Mr. Henry Morgan, Mrs. Morgan and Mrs. Thomas Keens, J.P., the ladies being presented with bouquets by Miss Dorothy Ross and Miss Meredith Ross. Some 200 guests and members of the Society were present and dancing was continued until 1 a.m.

Prior to the reception the members of the Council entertained to dinner privately those who were present at the International Congress on Accounting last year, together with some members of the profession from Canada and South Africa. The toasts of "The King" and "The President of the United States of America" were honoured, and Mr. Thomas Keens, who headed the Society's delegation to Canada and the United States in 1929, welcomed the visitors in a short speech, and concluded by proposing the toast of "Our Overseas Guests," to which a brief response was made by Mr. F. H. Hurdman, New York, President of the American Institute of Accountants.

The guests of the Council included :—Mr. F. H. Hurdman, President of the American Institute of Accountants, New York, and Mrs. Hurdman, Mr. A. F. C. Ross, F.S.A.A., Hon. Secretary of the Canadian Committee of Incorporated Accountants, and Mrs. Ross, Miss Dorothy Ross, Miss Meredith Ross, Mr. G. E. D'Arcy Orpen, F.S.A.A., President of the Cape Society of Accountants, Mrs. Newton Thompson, Sir William Plender, Bart., G.B.E., LL.D., President of the Institute of Chartered Accountants, and Lady Plender, Sir Woodburn Kirby, F.C.A., and Lady Kirby, Mr. William Cash, F.C.A., Mr. George R. Freeman, F.C.A., and Mrs. Freeman, Sir William McLintock, G.B.E., Mr. Edmund Lund, M.B.E., F.S.A.A., President of the Institute of Municipal Treasurers and Accountants, Colonel William Parker, D.S.O., T.D., President, the Chartered Institute of Secretaries, and Mrs. Parker, Mr. Bryan Pontifex, A.C.A., Past President of the Institute of Chartered Accountants of Ontario, and Mrs. Pontifex, Major W. E. Watson, President, the Institute of Arbitrators, and Mrs. W. E. Watson, Mr. James Baird, F.S.A.A., Mr. A. E. Watson, C.B.E., and Miss Watson, Mr. W. H. Coates, Ph.D., LL.B., B.Sc., Mrs. Coates and Miss Coates, Mr. George Parker, Mr. Clement Gatley, M.A., D.C.L., LL.D., Mr. Leslie Burgin, LL.D., M.P., and Mrs. Burgin, Mr. J. B. Graham and Mrs. Graham, Mr. C. Garratt Holden and Mrs. Garratt Holden, Miss Vera Snelling, Mr. Herbert E. Williams and Mrs. Williams, and Mr. Roy Robinson, Sub-Treasurer, Inner Temple, and Mrs. Robinson.

Society of Incorporated Accountants and Auditors.

COUNCIL MEETING.

A meeting of the Council was held at Incorporated Accountants' Hall on May 19th. There were present:—Mr. Henry Morgan (President) in the chair, Mr. E. Cassleton Elliott (Vice-President), Mr. R. Wilson Bartlett, J.P. (Newport, Mon), Mr. R. M. Branson (Leicester), Mr. H. J. Burgess (London), Mr. Arthur Collins (London), Mr. W. Allison Davies, O.B.E. (Preston), Mr. Walter Holman (London), Mr. Thomas Keens (Luton), Mr. E. T. Kerr (Wolverhampton), Sir James Martin, J.P. (London), Mr. C. Hewetson Nelson, J.P. (Liverpool), Mr. James Paterson (Greenock), Mr. W. H. Payne (London), Mr. W. Paynter (London), Mr. A. E. Piggott (Manchester), Mr. G. S. Pitt (London), Mr. J. Stewart Seggie (Edinburgh), Mr. Alan Standing (Liverpool), Mr. Percy Toothill (Sheffield), Mr. A. H. Walkey (Dublin), Mr. R. T. Warwick (London), Mr. E. W. C. Whittaker, J.P. (Southampton), Mr. W. McIntosh Whyte (London), Mr. A. E. Woodington (London), Mr. Fred Woolley, J.P. (Southampton), Mr. A. A. Garrett (Secretary), Mr. J. R. W. Alexander (Parliamentary Secretary), Mr. E. E. Edwards (Assistant Parliamentary Secretary).

INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES.

The following resolution was unanimously adopted:—

"That the President, Council, and Members of the Society of Incorporated Accountants and Auditors send to the Institute of Chartered Accountants in England and Wales the cordial congratulations of the Society upon the Jubilee of the Institute and the Society's best wishes for the future work of the Institute."

The President intimated that he had anticipated the resolution by forwarding during Jubilee Week to the President of the Institute the congratulations of the Society and had received a letter of thanks from the President.

BILLS IN PARLIAMENT.

It was reported that on the Reading Corporation Bill, which had passed the House of Commons, a Committee of the House of Lords refused to insert the name of the London Association of Accountants, Limited, in the Audit Clause, which remained in the usual form.

REGISTRATION FOR THE PROFESSION.

The Council received a copy of the official minutes of the Evidence given before the Departmental Committee by the Institute of Chartered Accountants and the Society of Incorporated Accountants and Auditors, published by the Stationery Office.

LONDON CHAMBER OF COMMERCE.

An intimation was received from Sir James Martin that he desired to retire from the position of representative of the Society on the Council of the Chamber, in which capacity he had served for 34 years. A vote of thanks was passed to Sir James for his valuable services in this respect, during the course of which he had held office as President of the Chamber. It was resolved that Mr. Henry Morgan (President of the Society) be nominated as the Society's representative on the Council of the Chamber.

SOUTH AFRICAN COMMITTEES.

Reports were received from the South African Committees.

INCORPORATED ACCOUNTANTS' CONFERENCE: SHEFFIELD.

The draft programme was received from Mr. Percy Toothill, and it was confirmed that the Conference be held in Sheffield on the following dates:—Wednesday to Saturday, September 24th, 25th, 26th, and 27th.

ADJOURNED MEETING.

An adjourned meeting was held after the 45th annual general meeting of members.

ELECTION OF PRESIDENT.

Upon the motion of Mr. C. Hewetson Nelson, seconded by Mr. Thomas Keens, it was resolved unanimously that Mr. Henry Morgan be re-elected President of the Society for the ensuing year.

ELECTION OF VICE-PRESIDENT.

Upon the motion of Mr. Henry Morgan, seconded by Mr. Alan Standing, Mr. E. Cassleton Elliott was unanimously re-elected Vice-President of the Society for the ensuing year.

ELECTION OF COMMITTEES.

The following Committees were elected:—

Disciplinary Committee.—The President, the Vice-President, Mr. H. J. Burgess, Mr. Arthur Collins, Mr. W. Holman, Mr. Thomas Keens, Mr. G. S. Pitt, Mr. Frederic Walmsley, Mr. E. W. C. Whittaker, Mr. A. E. Woodington.

Finance and General Purposes Committee.—The President, the Vice-President, Mr. R. Wilson Bartlett, Mr. Arthur Collins, Mr. Walter Holman, Mr. Thomas Keens, Mr. C. Hewetson Nelson, Mr. W. H. Payne, Mr. G. S. Pitt, Mr. Alan Standing, Mr. W. McIntosh Whyte, Sir Charles Wilson and Mr. A. E. Woodington.

Examination and Membership Committee.—The President, the Vice-President, Mr. H. J. Burgess, Mr. Walter Holman, Mr. C. Hewetson Nelson, Mr. W. H. Payne, Mr. William Paynter, Mr. Percy Toothill, Mr. R. T. Warwick, Mr. W. McIntosh Whyte, Mr. A. E. Woodington and Mr. F. Woolley.

Parliamentary Committee.—The President, the Vice-President, Mr. R. Wilson Bartlett, Mr. R. M. Branson, Mr. Arthur Collins, Mr. Walter Holman, Mr. Thomas Keens, Mr. E. T. Kerr, Mr. C. Hewetson Nelson, Mr. G. S. Pitt, Mr. E. W. C. Whittaker, Mr. W. McIntosh Whyte, and Sir Charles Wilson.

Hall Committee.—The President, the Vice-President, Mr. Thomas Keens, Mr. C. Hewetson Nelson, Mr. William Paynter, Mr. G. S. Pitt, Mr. R. T. Warwick and Mr. A. E. Woodington.

Articles and Bye-Laws Committee.—The President, the Vice-President, Mr. D. E. Campbell, Mr. W. Allison Davies, Mr. W. Paynter, Mr. Alan Standing, Mr. Percy Toothill, Mr. R. T. Warwick, Mr. E. W. C. Whittaker and Mr. W. McIntosh Whyte.

District Societies Committee.—The President, the Vice-President, Mr. R. Wilson Bartlett, Mr. R. M. Branson, Mr. H. J. Burgess, Mr. D. E. Campbell, Mr. W. Allison Davies, Mr. Walter Holman, Mr. E. T. Kerr, Mr. Thomas Keens, Mr. W. Paynter, Mr. R. T. Warwick and Mr. F. Woolley.

Registration Committee.—The President, the Vice-President, Mr. R. Wilson Bartlett, Mr. Arthur Collins, Mr. W. Allison Davies, Mr. Walter Holman, Mr. Thomas Keens, Sir James Martin, Mr. C. Hewetson Nelson, Mr. R. T. Warwick and Sir Charles H. Wilson.

EXAMINERS.

The following were elected Examiners of the Society :—Sir Josiah Stamp, G.B.E., Sc.D., D.Sc.; Mr. W. H. Coates, LL.B., B.Sc., Ph.D.; Mr. C. Hewetson Nelson, J.P., F.S.A.A.; Mr. W. Norman Bubb, F.S.A.A.; Mr. Richard A. Witty, F.S.A.A.; Mr. W. Holman, F.S.A.A.; Mr. Clement C. Gatley, LL.D., D.C.L., M.A.; Mr. Roland Burrows, M.A., LL.M., LL.D.; Mr. E. T. Allen, M.A. and Mr. C. B. Milne, M.A., LL.B. (Edinburgh).

Society of Incorporated Accountants and Auditors.

Conference of Representatives of Branches and District Societies.

On May 20th a Conference of Representatives of Branches and District Societies with members of the Council was held at Incorporated Accountants' Hall. Mr. Thomas Keens, Chairman of the District Societies Committee, occupied the chair, and was supported by the President (Mr. Henry Morgan), the Vice-President (Mr. E. Cassleton Elliott), and Mr. R. Wilson Bartlett, Mr. H. J. Burgess, Mr. W. Allison Davies, Mr. Walter Holman, Mr. C. Hewetson Nelson, Mr. William Paynter, Mr. A. E. Piggott, Mr. Percy Toothill, Mr. A. H. Walkey, Mr. R. T. Warwick, Mr. E. W. C. Whittaker and Mr. F. Woolley. The representatives of District Societies present were :—Mr. James Baird (Belfast); Mr. Robert Bell (Irish Branch); Mr. Percy G. Stembridge (Birmingham and Midland); Mr. Tom Hudson and Mr. Herbert Reynolds (Bradford); Mr. R. Simpson Duthie (Cumberland and Westmorland); Mr. Donald V. Hayden (East Anglia); Mr. G. A. Ridgway (Hull); Mr. Oliver Holmes and Mr. W. T. Manning (Leicester); Mr. Alexander Hannah (Liverpool); Mr. J. F. Hulme and Mr. Halvor Piggott (Manchester); Mr. A. M. White (Newcastle); Mr. J. Paterson Brodie (North Staffordshire); Mr. S. I. Wallis (Notts, Derby and Lincoln); Mr. W. J. Pallot and Mr. Percy H. Walker (South Wales and Monmouthshire); Mr. T. O. Morgan (Swansea and South-West Wales); Mr. F. A. Webber (West of England); Mr. T. W. Dresser (Yorkshire).

BRANCHES AND DISTRICT SOCIETIES SCHEME.

Reports were received as to the working of the Branches and District Societies Scheme, which had been in operation since January 1st, 1929. There was unanimous agreement that the Scheme had proved advantageous throughout the Branches and District Societies, and to Students.

LONDON DISTRICT SOCIETY.

It was intimated that steps would shortly be taken for the formation of a London District Society.

Upon the motion of Mr. Robert Bell (Irish Branch), seconded by Mr. Herbert Reynolds (Bradford), a vote of thanks to Mr. Thomas Keens for presiding over the meeting was adopted.

Mr. W. H. Stalker, A.S.A.A., F.C.W.A. (Deputy Mayor of Jarrow), was elected at the annual meeting in London, Chairman of the Council of the Institute of Cost and Works Accountants. This Institute was established in 1919, and now has 1,594 members and registered students.

DANISH STATE-AUTHORISED AUDITORS.

The following is a translation of the text of an Act of Parliament of the Danish Legislature, which was passed by the Rigsdag on April 12th, 1930 :—

1.—The Ministry of Commerce and Industry will on application grant authority to act as state-authorised auditor to persons who prove

(1) To be Danish citizens ;

(2) To have residence in this country ;

(3) To be 25 years of age and not to have been declared incapable of managing their own affairs, or not under the care of guardians ;

(4) To be fully entitled to dispose of their property ;

(5) To be persons of good conduct ; and

(6) To have passed the test described in paragraph 2.

An authority fee of 120 Kroner is charged, which goes to the funds of the Exchequer.

Persons who have been appointed State-authorised auditor possess—apart from the rights mentioned in the following paragraphs—the sole right to the title "State-authorised Auditor." The use of descriptions for advertising purposes which may result in confusion with state-authorised auditors, especially by connecting the word "auditor" with "authorised" or "state-authorised," is prohibited.

2.—Persons wishing to be appointed state-authorised auditors must prove themselves to be in possession of the necessary capabilities for carrying out the duties, by passing an examination before a commission appointed by the Ministry of Commerce and Industry. Further details regarding the holding of the examination and the fees in connection with the same will be fixed by an announcement made by the Ministry. Proofs of ability, such as tests procured by the candidates themselves, cannot be entertained.

To be allowed to enter for the test, applicants must have been engaged in the office of a state-authorised auditor, and have taken part in the ordinary auditing work there for at least three years, except where an exception is made in this stipulation by the Ministry, following a declaration made by the commission, and which is specially desirable when applicants prove to possess particular training in banking, insurance, borough-council accountancy-routine, or the like.

The Ministry of Commerce and Industry may within a period of three years after the present Act comes into force, following a proposition by the commission, allow persons wishing to become state-authorised auditors to be exempted from certain parts of the test, described in the first clause of this paragraph, when these have been engaged for at least four years on independent audit work as their sole occupation, and when they also fulfil the conditions stipulated in paragraph 1, Nos. 1-5.

3.—State-authorised auditors must, before they are appointed, sign a solemn declaration that they will perform the duties allotted to them with efficiency and fidelity, and that they will fulfil their duties as state-authorised auditors altogether conscientiously.

4.—State-authorised auditors must inform the Ministry of Commerce and Industry at what address they wish to have their office, and they may only have an office at one address, unless exception is made in this rule by the Ministry.

5.—State-authorised auditors may make declarations having the force of public authenticity regarding accountancy proceedings for use in legal cases. Establishment of disproof is, however, not debarred.

6.—State-authorised auditors should be given preferential employment in connection with the publication of the state of accounts in public cases; similarly their services as commercial auditors should have preference in pursuance of the regulation in paragraph 79 of the Act relating to bankruptcy, &c., of March 25th, 1872, and for the appointment of experts on accountancy for positions as deputies, as referred to in the regulation of paragraph 2 of the Act dated April 14th, 1905, relating to compulsory composition outside bankruptcy.

7.—State-authorised auditors are not allowed—while acting as such—to occupy any state or local government post or any other public position carrying a fixed remuneration. The Ministry of Commerce and Industry may further decide that certain occupations may not be combined with that of state-authorised auditor.

8.—It is the duty of state-authorised auditors to undertake the work entrusted to them as such, with care and as speedily as possible, such as the conditions of the work may permit, and further they are not allowed to charge higher fees than is considered reasonable.

State-authorised auditors, who in their capacity as such misconduct themselves, are subject to punishment liability in accordance with paragraph 144 of penal code. The Ministry of Commerce and Industry may fix further rules appertaining to the execution of the activities of state-authorised auditors (including the use of attorneys), their duties and responsibilities.

9.—The appointment as state-authorised auditor is cancelled if the person concerned ceases to be a Danish citizen, or discontinues to have residence in this country. In the latter case the appointment may, however, be reinstated by the Ministry of Commerce and Industry should the person in question again have residence here subsequently.

Should a state-authorised auditor become incapable of managing his own affairs, or be placed under the care of guardians, his appointment will then no longer be in force.

If a state-authorised auditor becomes bankrupt his appointment will cease to be in force until such time as the Ministry of Commerce and Industry shall repeal the suspension, which act cannot occur—unless special conditions apply—until the person in question procures a declaration from the creditors in the bankruptcy, to the effect that their claims have been settled in full, or that they allow the estate to be handed over.

Should a state-authorised auditor be proved by sentence to be guilty of an action which is in public opinion dishonourable, his appointment will then cease to be in force. If a state-authorised auditor renders himself guilty under the conditions described in paragraph 253 of the penal code, his appointment will cease to be in force for a certain stated period or permanently, even if liability to punishment also in respect of paragraph 254 of the same code is removed. These proceedings are carried out on pronouncement of sentence in the criminal case brought against him, or—if such a case has not been instituted for this special purpose, in accordance with a decision made by the Ministry of Commerce and Industry.

Should a state-authorised auditor further render himself guilty under conditions which are punishable according to paragraph 144 of the penal code, and which renders it unsafe to allow him to continue acting in this capacity, and when the person concerned does not himself place his appointment at the disposal of the Ministry of Commerce and Industry, the question of making the appointment invalid for a certain period or permanently, will be raised in the Courts of Justice, in accordance with criminal proceedings decided upon by the Ministry.

The criminal proceedings referred to in this paragraph are treated as matters concerning the loss of appointment or situation.

If an appointment has been declared invalid by pronouncement of sentence, it cannot be made use of, even if appeal against sentence is lodged, until the sentence has been quashed by a final judgment.

10.—Infringements of the rules contained in this Act, or of the provisions for their application in pursuance of the same, are punishable by fines. Legal actions relating thereto shall be dealt with as police-court cases.

11.—This Act shall come into force on June 1st, 1930.

Act No. 117 of May 14th, 1909, regarding state-authorised auditors is simultaneously rescinded.

The appointments referred to in the above-mentioned Act are placed in the same category as appointments described in the present Act.

EXTRACT FROM ACT RELATING TO BANKS.

(As passed by the Rigsdag on April 11th, 1930.)

14.—The accounts of a bank shall be audited by at least two qualified auditors, who may not at the same time be in the service of the bank or be members of its staff of representatives or administration, or be related to any of its staff of representatives, board of administration or directors, to the accountant or cashier through employment, marriage, relation or affinity in any conditions whether ascending or descending in line or as brothers or sisters. The auditors shall be elected by the general meeting, provided that for one of the posts a State-authorised auditor shall be elected. Apart from the last-named rule, the auditor and auditor deputies of a bank on duty on January 1st, 1930, may be re-elected within a period of five years from the time the Act comes into force.

The Minister for Commerce and Industry shall have power to prepare further rules regarding the carrying out of the audit, including the control as to the reliability of the daily book-keeping.

If an auditor shall be shown to be incapable of performing his duties, the Minister may dismiss the person concerned and replace him by a state-authorised auditor, who will act until a new choice may be made at the first general meeting held thereafter.

EXTRACT FROM ACT RELATING TO LIMITED LIABILITY COMPANIES.

(As passed by the Rigsdag on April 11th, 1930.)

Auditing of Annual Accounts.

52.—The annual accounts of a limited liability company must be audited by one or more qualified auditors, who have been elected at the general meeting, and who shall act until the next general meeting takes place. These auditors must be of age, have full right to dispose of their property, and must not have been judged guilty of any action dishonourable in public opinion, without having thereafter obtained reparation of honour, and further they must not be in the service of the company, be a member of its board of administration or directors, or be related to any member of the board of administration or

directors, to the accountant or cashier through employment, marriage, relation or affinity, whether ascending or descending in line, or as brothers or sisters.

In companies where the shares are subject to public price quotation, several auditors may be employed, and at least one of these must be a state-authorised auditor. In other companies shareholders owning a third of the share-capital as represented at the general meeting may demand that a state-authorised auditor be employed.

If a firm of auditors or a company of auditors is elected as auditors, the person to whom the auditing is entrusted on behalf of a firm of auditors or a company of auditors must fulfil the conditions stipulated.

When shareholders who own a fourth of the share capital so elect at a general meeting, the management shall request the chief registrar to appoint an auditor together with those elected at the general meeting for the current year and to fix the remuneration to be paid to the auditor in question by the company.

53.—If a resolution declining to accept the annual accounts is submitted at the ordinary general meeting, and this is passed by a mere majority of votes, the general meeting may resolve, also by a mere majority of votes, that the accounts shall be subjected to a new audit. The regulations in paragraph 52, 2nd and 3rd parts, will then apply accordingly. Immediately on completion of the new audit, the management shall call a new general meeting to sanction the accounts.

54.—While the audit takes place, which must be exercised with careful consideration to the existing assets and liabilities, the auditors shall have at their free disposal all books relating to the accountancy of the company, and shall be at liberty to inspect the company's cash and stocks, and it is the duty of the management and the board of directors to give them every information which is desired in order to prove the correctness of the accounts.

A report of the audit must be entered in an audit minute book each time the auditors have performed their duties. This minute book must be produced at the first meeting of directors following the audit, and the members of the directorate present must certify that they are aware of its contents by entering their signatures.

The auditors shall be bound to keep secret any information coming to their knowledge in the course of their duties.

Auditors may be dismissed at any time by the authority that has appointed them.

90.—The obligation to elect a state-authorised auditor in the case of certain companies, as stipulated in the first sentence of the second part of paragraph 52, shall not be imposed, so long as the persons acting as auditors at the time when the Act comes into force are re-elected by the general meeting.

Institute of Public Administration.

Mr. T. E. Naughten, A.S.A.A., of the Finance Department, Ministry of Labour, has been awarded the Haldane Medal and Prize by the Institute of Public Administration for the essay which is regarded as forming the most useful contribution to the study of public administration during the past year. The subject of the essay, which will be published in a forthcoming issue of *Public Administration*, the quarterly journal of the Institute, was "A Comparison of the Financial Systems of the United Kingdom and the United States of America." The judges were Sir Stanley Leathes, K.C.B., and Professor Harold J. Laski, the well known economist.

Changes and Removals.

Mr. R. G. Acock announces that he has taken into partnership Mr. George Dugdale, and that the practice will be continued under the style of Martin & Acock, Incorporated Accountants, at Westminster Bank Chambers, London Street, Norwich, and elsewhere.

Mr. Edward C. Harris, Mr. Edgar S. Whalley, and Mr. Joseph A. Coucill announce they have taken over the practice carried on by the late Mr. Fredk. Whalley, with whom they were associated for many years. The firm will practise from Pekin Buildings, 21, Harrington Street, Liverpool, under the style of F. Whalley & Co., Incorporated Accountants.

Mr. F. W. E. King, Incorporated Accountant, has removed to 47, Great Russell Street, London, W.C.1.

Messrs. Milford & Co., Incorporated Accountants, have removed to 3, Richmond Terrace, Blackburn.

Mr. E. Moon and Mr. H. H. Whittles have entered into partnership with Mr. J. H. Freeborough, J.P. The practice will be continued under the style of J. H. Freeborough & Co., Incorporated Accountants, at Haxworth Chambers, Figtree Lane, Sheffield.

Messrs. W. E. Nelson & Co., Incorporated Accountants, of 22, Lord Street, Liverpool, &c., announce that Mr. W. Bertram Nelson, Incorporated Accountant, has been admitted into partnership as from May 1st. The practice will be continued under the same title as heretofore, at Liverpool and London.

Mr. F. J. Notley, Incorporated Accountant, announces that he has amalgamated his practice with that of Messrs. Lucien J. Brown & Henney. The combined practice will be carried on at Friars Chambers, Dock Street, Newport, Mon., under the firm name of Lucien J. Brown, Henney & Notley.

Messrs. E. G. Shorrock & Co. have removed to 1809, Northern Life Tower, Seattle, U.S.A.

Mr. Percy H. Walker, Incorporated Accountant, 4, Park Place, Cardiff, and The Arcade, Cowes, Isle of Wight, announces that the partnership subsisting between himself and Mr. Thomas Newman Trayes David, B.A., Incorporated Accountant, and carried on under the firm name of Percy H. Walker & Co., has been dissolved by mutual consent as from March 31st, 1930. Mr. Walker will continue to practise in the same firm name at the before-mentioned addresses, and Mr. David will practise in his own name at 12, Chieveley Road, Bexley Heath.

Messrs. T. L. Wilson, Caldwell & Co., Incorporated Accountants, have removed their Warrington office to Sankey Street Chambers, 47, Sankey Street.

The Society of Incorporated Accountants and Auditors.

45th ANNUAL GENERAL MEETING.

THE forty-fifth annual general meeting of the Society was held at Incorporated Accountants' Hall, London, W.C.2, on May 19th.

Mr. HENRY MORGAN, President of the Society, occupied the chair, and was supported by Mr. E. Cassleton Elliott, Vice-President, and the following members: Mr. R. Wilson Bartlett, J.P., Mr. R. M. Branson, Mr. Arthur Collins, Mr. W. Allison Davies, O.B.E., Mr. Walter Holman, Mr. Thomas Keens, Mr. E. T. Kerr, Sir James Martin, J.P., Mr. C. Hewetson Nelson, J.P., Mr. James Paterson, Mr. W. H. Payne, Mr. William Paynter, Mr. A. E. Piggott, Mr. J. Stewart Seggie, Mr. Alan Standing, Mr. Percy Toothill, Mr. A. H. Walkey, Mr. R. T. Warwick, Mr. E. W. C. Whittaker, J.P., Mr. W. McIntosh Whyte, Mr. F. Woolley, J.P., Mr. W. H. Ashmole, M.B.E., Mr. I. J. G. Babbage, Mr. J. H. Bailey, Mr. J. Baird, Mr. E. Baldry, Mr. W. R. Baskett, Mr. R. Bell, Mr. H. F. O. Bence, Mr. F. H. Bennett, Mr. H. S. Bentley, Mr. C. E. L. Bird, Mr. H. H. Bobart, M.B.E., Mr. E. G. Bourne, Mr. R. Bourne, Mr. J. S. Brittain, Mr. D. C. Brook, Mr. F. G. Bryant, Mr. E. L. Burton, Mr. R. Caws, Mr. J. E. Chadwick, Mr. H. E. Chapman, Mr. L. H. Chapman, Mr. F. E. Clements, Mr. R. W. L. Clench, Mr. H. E. Colesworthy, Mr. H. Creighton, Mr. J. H. Croydon, Mr. F. Davey, Mr. G. Drowley, Mr. R. S. Duthie, Mr. H. J. Eldridge, Mr. A. R. King Farlow, Mr. P. Farnworth, Mr. F. A. Fitton, Mr. A. E. Forrest, Mr. W. A. Godfrey, Mr. D. F. Goode, Mr. W. H. Grainger, Mr. J. H. Grove, Mr. A. Hannah, Mr. C. B. Hewitt, Mr. H. L. Heyes, Mr. W. E. Holland, Mr. W. J. Holman, Mr. T. Hudson, Mr. A. H. Hughes, Mr. J. A. Hulme, Mr. H. C. King, Mr. H. J. Lester, Mr. R. T. Little, Mr. E. W. Longhurst, Mr. W. E. Mansell, Mr. R. H. Meyer, Mr. D. F. Middlemiss, Mr. J. J. Middleton, Mr. F. W. E. Morgan, Mr. T. O. Morgan, Mr. S. Grave Morris, Mr. W. Morris, Mr. M. Moustardier, Mr. C. Neville, Mr. B. F. Newton, Mr. W. F. Nicholson, Mr. A. F. Norman, Mr. L. G. Norton, Mr. F. W. Ogg, Mr. W. J. Pallot, Mr. G. Palmer, Mr. F. Paul, Mr. W. A. Pearman, Mr. H. Piggott, Mr. L. H. F. Pinhorn, Mr. J. A. Plumpton, Mr. W. E. Plumpton, Mr. W. Price, Mr. G. Roby Pridie, Mr. H. Reynolds, Mr. G. A. Ridgway, Miss P. E. M. Ridgway, Mr. A. F. C. Ross (Montreal, Canada), Mr. H. C. Samuel, Mr. J. W. Sawyer, Mr. A. J. Smith, Mr. F. J. Smith, Mr. W. Southwood Smith, Mr. T. H. Soul, Mr. R. H. Stafford, Mr. A. H. Stevens, Mr. W. Strachan, Mr. T. P. Tilley, Mr. H. H. Vincent, Mr. P. H. Walker, Mr. S. I. Wallis, Mr. W. L. J. Walters, Mr. A. E. Webster, Mr. G. W. Wheeler, Mr. A. M. White, Mr. E. Williams, Mr. J. H. Willott, Mr. R. A. Witty, Mr. A. Wright, Mr. J. G. Wright, and Mr. H. E. Wright-Anderson; Mr. A. A. Garrett, M.A., B.Sc. (Secretary), Mr. J. R. W. Alexander, M.A., LL.B. (Parliamentary Secretary), and Mr. E. E. Edwards, B.A., LL.B. (Assistant Parliamentary Secretary).

The SECRETARY read the notice convening the meeting, also the minutes of the forty-fourth annual meeting and the report of the Auditors.

The PRESIDENT moved: That the Report of the Council and the Accounts for the year 1929, which have been printed and circulated amongst the members, be taken as read.

The VICE-PRESIDENT seconded the resolution, which was agreed to.

President's Address.

This is the first time it has been my privilege to address you as President of this Society at an Annual General Meeting, and it is my pleasure to-day to ask you to adopt the forty-fifth report of the Council and the accounts for the year 1929.

REPORT AND ACCOUNTS.

The accounts cover our first year in Incorporated Accountants' Hall and of the Branches and District Societies Scheme. It necessarily follows that there are material increases in certain items of expenditure shown in the revenue account. On the other side there is an increase in subscriptions by reason that it was the first year when the increased rates came into operation. It is satisfactory to note that general expenditure under the headings of Travelling Expenses, Stationery, Printing, Postages, Legal and Parliamentary Charges, Advertisements and Miscellaneous Expenses shows a reduction of over £550. After debiting £149 17s. 6d. for depreciation of furniture, and £1,258 for the service of the reserve fund for redemption of debentures, there remains a surplus of income over expenditure for the year of £1,157 6s. 2d., which, I think you will agree, is a satisfactory financial result.

I am sure members will approve the decision of the Council to create a reserve for the ultimate redemption of the debentures, and the charging of £1,250 each year, with interest at the rate of 4 per cent. per annum, will enable the debentures to be extinguished in approximately 30 years. During the year the Society received from a member a gift of £200 debentures (since increased to £400), which is also placed to the credit of reserve for debenture redemption. The Cape Town Committee have also expressed a desire to assist in augmenting that reserve. On behalf of the members I wish to express our sincere thanks for these generous actions.

INCORPORATED ACCOUNTANTS' HALL.

In regard to Incorporated Accountants' Hall, experience indicates that the hopes and expectations of the most enthusiastic advocates for its acquisition will be fully realised. It has been found to be admirably suited for our needs, and the demand for its use for the purpose of meetings and social and other functions has rapidly increased.

Reference is made in the report to the dinner which was given at this Hall to Sir Josiah Stamp upon the completion of his work at the Reparations Conference, and on that occasion we also received His Excellency the American Ambassador and many other distinguished guests.

COUNCIL.

I regret that in July last the Council sustained a heavy loss by the death of their esteemed colleague, Mr. William Claridge, of Bradford, who was President from 1919 to 1922. He presided over the Society at a particularly difficult time, and we gratefully remember his work, both as President and as an Examiner, and in connection with the activities of the Bradford District Society.

Mr. William Bateson, to the regret of his colleagues, has intimated that he does not wish to offer himself for re-election to the Council. I desire on behalf of the members to express our appreciation of the valuable services he has rendered.

INTERNATIONAL CONGRESS ON ACCOUNTING.

The last year has been characterised by marked activity both in regard to the affairs of our own Society and in the profession generally.

An International Congress on Accounting was held in New York under the Presidency of Colonel Robert H. Montgomery. The Society was represented by Mr. Thomas Keens, the then President, Mr. Arthur Collins, Mr. E. Cassleton Elliott, and Mr. A. A. Garrett (Secretary). The delegates were supported during their visit to Canada and at the International Congress by a number of Incorporated Accountants professionally engaged in the Dominion of Canada and in the United States, some of whom travelled long distances to meet the members of the Council.

During the Congress an invitation was extended, on behalf of the Institute of Chartered Accountants and the Society of Incorporated Accountants and Auditors, for the next Congress to be held in England, the date of which has not yet been fixed. This invitation was unanimously accepted.

I desire to express the appreciation of the Society for the generous hospitality extended to the Delegation and to my colleagues for so ably representing us. We are happy to have an opportunity of entertaining to-night at Incorporated Accountants' Hall some of our Canadian and American friends whom the Delegation had the pleasure of meeting last year.

The holding of these International Congresses is an indication of the world-wide character of the accountancy profession. The members of our Delegation are glad to have studied the problems of our profession from some other points of view, and to have considered in a country particularly receptive of new ideas some practical developments of modern accountancy.

IRISH BRANCH.

It is a matter of considerable satisfaction that our Branch of the Society in the Irish Free State is in close collaboration with the Institute of Chartered Accountants in Ireland with a view to the promotion of a Registration Bill. Conferences have taken place with the principal officials of the Ministry of Commerce, and I understand that substantial agreement has been reached in regard to the principles of such a measure. That registration has commended itself to both Chartered and Incorporated Accountants in Ireland throws an interesting side-light on the position in that country.

DOMINION BRANCHES.

Last year my predecessor, Mr. Thomas Keens, referred to the decision in the Supreme Court of South Africa, advice of which at that time had been sent by cable, whereby the designation "Incorporated Accountant" was held by Mr. Justice Sutton to be the exclusive designation of members of the Society of Incorporated Accountants and Auditors in South Africa. Our Committees in South Africa, under the terms of the decision, have taken steps to obtain an undertaking from persons not being members of the Society who had described themselves as Incorporated Accountants to cease using the designation.

I have to thank all those members in South Africa, particularly Sir Harry Hands and Mr. Cyril D. Gibson, for the capable way in which they handled the proceedings and for the manner in which they have utilised the judgment for the advantage of our members and of the public in South Africa. All the Committees in South Africa have shared in the responsibility for this work, and we are indebted to them.

We are fortunate in receiving every year visits in London from some of our members in Canada, Australia and South Africa, and we are always delighted to see and to be able to confer with them in person. (Applause.)

BRANCHES AND DISTRICT SOCIETIES SCHEME.

During the last few months the Vice-President and I have visited a number of our Branches and District Societies. We have been much impressed with the progress made under the Branches and District Societies Scheme, which has proved most advantageous, and has stimulated interest amongst all the members. There is no question that they are doing splendid work in advancing the interests of the Society throughout the provinces.

THE OBLIGATIONS OF THE ACCOUNTANT.

As we meet here year by year we must feel with a sense of responsibility and pride the increasing obligations which fall on us as members of the accountancy profession. The Companies Act, 1929, came into full operation near the end of last year, and still further extended the obligations of the professional accountant in his capacity as auditor. It is in connection with the question of balance-sheets and accounts, and their audit, that we as Incorporated Accountants are most intimately concerned, and the effect of the extended provisions in these respects has already been seen in the greater freedom of auditors' certificates and the strong line taken by them in the case of certain public companies.

I am strongly of opinion that the extended requirements in regard to balance-sheets and profit and loss accounts provided for by the 1929 Act will tend to mitigate some of the evils which have been so regrettable a feature of joint stock company practice during recent years.

The summary of the changes in the law effected by the 1929 Act so far as they affect accountants, together with a *pro forma* balance-sheet, which was published by the Council of the Society, has been much appreciated by members of the Society, and its circulation has widely extended beyond our own members. (Hear, hear.)

In this year's Finance Bill, the text of which has just been published, there are provisions regarding

taxation which will impose still heavier obligations upon members of our profession. The Consumers' Council Bill, which has just passed its second reading in the House of Commons, contains provisions for the employment of accountants, and if it becomes law will most certainly add materially to the scope of the professional accountant's activities.

BILLS IN PARLIAMENT, 1930.

The Local Legislation Committee of the House of Commons have had before them the Cardiff Corporation Bill. Petitions were presented against the Bill by reason of the audit clause, which was in the usual form. Mr. Wrottesley, K.C., appeared before the Committee and made a statement on behalf of the Institute of Chartered Accountants and the Society of Incorporated Accountants to the effect that the Board of Trade had actually set up a Departmental Committee to deal with the very matter which the Local Legislation Committee had said should be raised. Counsel explained that as the Departmental Committee had already commenced its labours, the Institute and the Society did not think it right or proper to take any part in a contest before the Local Legislation Committee. After reserving its decision, the Committee decided to add the name of the London Association of Accountants, Limited, to the clause.

It appears to me that the Local Legislation Committee this year has prejudged the very issue which the Committee of last year said should be gone into, and which had been referred by the President of the Board of Trade to the Departmental Committee.

Since the Cardiff Bill was before the Local Legislation Committee of the House of Commons, the Reading Corporation Bill has been under the consideration of a Committee of the House of Lords, who, after hearing Counsel for the Institute and the Society, have declined to amend the usual clause, which limits the audit to Chartered and Incorporated Accountants.

REGISTRATION FOR THE ACCOUNTANCY PROFESSION.

From the point of view of the accountancy profession, however, the outstanding feature, and, I venture to say, the most important event for many years past, has been the revival as an immediate issue of the vital question of registration. (Applause.) The mention of registration must cause many of those present this afternoon to carry their memories back some thirty years or more to the relatively early days of this Society. When Sir James Martin, and the stalwarts of early days, decided with remarkable foresight that registration was the proper policy in the interests of the general public as well as of the profession, they could not have foreseen the vitally important position which is filled by the accountancy profession in our national life at the present time. I think that even the strongest opponent of registration would be prepared to admit that had a Registration Act been passed a quarter of a century ago, the difficulties from which the public and the profession are suffering would to-day be practically non-existent. (Applause.)

Our Society has never altered its policy with regard to registration, and nothing that has recently happened causes us to alter our views. I think that all of you must be fully aware of the course of recent events. Following upon the important statement by Sir Thomas Robinson, M.P., Chairman of the Local Legislation Committee, the Society and the English and Scottish Chartered Accountants joined in a deputation to the President of the Board of Trade to request that he would set up a Departmental Committee to consider the question of registration. A Committee under the chairmanship of Lord Goschen was appointed, and has already taken a great deal of evidence, and that given by the Institute and by the Society was published two or three days ago. The preparation of the Case for Registration put forward by the Society involved very heavy work by those members of the Council who served on the Special Committee, and by our officials, and I wish to express my appreciation of the services which they rendered. (Applause.)

It is a singular and extremely gratifying fact that Sir James Martin, who was the originator of the registration policy thirty years ago, was our principal witness, and was able in person to submit the Society's Case to the Departmental Committee. (Applause.) Our thanks are due to him for the invaluable work he has done for us during the last three months.

The main views embodied in our evidence may be briefly summarised as follows :—

We proposed that there should be constituted a Register of practising accountants, and that any practising member of the bodies of Chartered Accountants and the Society of Incorporated Accountants should be entitled to be placed upon the Register at the outset, and in future upon giving notice of his intention to practice. We do not ask, and it would be impossible to obtain, legislation which would have the effect of depriving any person of his means of livelihood, and therefore provision must be made for inclusion upon the Register, at its inception, of every person genuinely carrying on business as a practising accountant. Our submission to the Committee was that subsequent admissions to the Register would be (*a*) either through the Chartered bodies or through the Society of Incorporated Accountants, or (*b*) by passing the examinations prescribed by the Register Committee, coupled with proof of service under articles for five years or service for not less than nine years as a clerk to an accountant registered under the Act.

We do not suggest that the position and powers of the Chartered bodies or of the Society of Incorporated Accountants and Auditors should in any way be affected.

We maintained that the members of the Society should continue to enjoy their legal right to the designation "Incorporated Accountant." (Applause.)

It is regrettable that the Institute of Chartered Accountants, with whom we have co-operated for

many years past in regard to matters affecting our profession, are not in agreement with us in regard to our views on this question and, indeed, are opposed to registration.

The Institute has said that it wishes to be excluded from the operation of any legislation having as its objective the registration of the profession. The Society is opposed to any such exclusion. (Applause.) A Registration Bill must deal with the profession as a whole, and I should like to take this opportunity of pointing out that although the Institute and the Society are incorporated in different ways, the Charter does not confer upon the Institute powers which are dissimilar to those enjoyed by the Society. They have the right exclusively to create Chartered Accountants in England and Wales. We have the right exclusively to create Incorporated Accountants. Beyond this, and *vis a vis* the public and the rest of the profession, the form of incorporation has not established a monopoly in either case. Neither Chartered nor Incorporated Accountants owe their outstanding position to the legal form of their Incorporation. Such position has been established by their reputation and character, and professional skill and ability. (Hear, hear.)

As far back as 1907, Mr. Justice Warrington, in the Chancery Division, in granting an injunction against the misuse of the term "Incorporated Accountant," stated that this designation conferred upon members of the Society the privilege of being looked upon by persons who had dealings with accountants as holding a certain definite status indicating reliability and integrity. (Hear, hear.)

Objection has been taken to registration because it might constitute an attempt to obtain a monopoly of all accountancy work. I agree that the days of monopolies have passed. The very principles upon which our Society was founded and has carried on its work are entirely opposed to anything in the nature of a monopoly. Any person with proper professional experience who can pass our examinations is able to obtain the qualification of Incorporated Accountant, which is second to none, and the Society does not debar properly qualified men or women who are not in a position to serve articles of clerkship. Under our proposals these means of entering the profession would still be continued.

We do not ask for any monopoly of work, and it cannot reasonably be argued that any such monopoly is implied by the stipulation that those persons who hold themselves out to the public as ready to undertake the business of professional accountants should be properly qualified by experience and by examination, and be subject to disciplinary control.

As to the extent of a demand for registration within the profession and the need for the protection of the public, I can only observe that our information is that Incorporated Accountants are entirely in favour of the profession being controlled as a whole. (Hear, hear.) But in advocating registration, we are not actuated by purely selfish motives. We elieve that it is a policy in the best interests of the public generally. In point of fact, those of us who have well-established practices are not so seriously prejudiced by the unsatisfactory methods of the uncontrolled and unqualified practitioner, although it must be admitted that this cannot be said of Incorporated Accountants practising on a lesser scale, and particularly in the provinces. (Hear, hear.) If comparison can be drawn with the position in 1911, when the last Registration Bill was jointly promoted by the Institute and the Society, one can only conclude that the difficulties have increased. New bodies of accountants continue to be formed and inadequately qualified practitioners have multiplied, and little improvement is to be expected in the absence of legislation. The problems involved in the registration of accountants are less difficult than has been the case with other professions. The medical, legal and dental professions, and the public whom they serve, have found registration both necessary and desirable, and it has yet to be demonstrated that the accountancy profession is in a position to do without that form of legislation which has been found so beneficial in medicine, law and dentistry. We await with interest the findings of the Departmental Committee, in whose judgment we have every confidence, and whose labours we acknowledge with gratitude. In the meantime our members may rest assured that the Council will put forward every effort to protect the interests of Incorporated Accountants. (Applause.)

In concluding my address, I would say how much I appreciate the honour of being elected President of this Society. The work is a source of pleasure as well as of responsibility. In this work I am most ably supported by my predecessors, so many of whom I am glad are with us to-day, and by all my colleagues whose work and abilities are continually exerted in the interests of Incorporated Accountants. To our Committees and members overseas, to the Branches and District Societies, I extend the thanks of the Council for their vigilance and sustained interest. In maintaining, as I shall endeavour to do, the high traditions of this office, I share the confidence my predecessors have so often expressed from this Chair as to the future of Incorporated Accountants, which has been amply justified in the history of the Society. (Loud applause.)

I now have to move:—

> "That the Report of the Council and the Accounts for the year 1929 be adopted."

The VICE-PRESIDENT (Mr. E. Cassleton Elliott): I beg formally to second the adoption of the report and accounts.

Discussion.

Mr. RICHARD A. WITTY (London): Mr. Morgan has reminded us that this is the first occasion on which we have been able to meet him as the President at an annual meeting, and I feel sure that the members of the Society would like to take the very earliest opportunity of assuring him that he has the good will of every member of the Society in the difficult and exacting office to which he has been elected. (Cheers.) Mr. Morgan has assumed

the reins of office at a most vital period in the history of the accountancy profession, and possibly his task has not been made any lighter by having immediately to follow a President who was the very embodiment of personal energy. (Hear, hear.) We have listened to an address this afternoon which embraced many topics in relation to the accountancy profession, but it is only natural, perhaps, that we should be thinking most of the President's references to the vital subject of registration. It was, I think, particularly noticeable in the President's summary of the position in relation to registration that he reviewed the position as it affects the accountancy profession as a whole. The President did not restrict his outlook to the confines of this Society alone. The Society's position in relation to registration is surely by this time abundantly plain. Whatever form this registration may take, I am afraid that it is not going to result in any immediate benefit to the members of the Society; but because we believe that it is desirable to have some standardising of qualifications for the whole profession, which would lead to the ultimate good of the profession as a whole, we are prepared to go forward with the question of registration, even though it may, and in my opinion probably will, entail some sacrifice on the present members of the Society. But for the moment the President has reminded us that we can do no more than await the findings of the Departmental Committee. In the meantime, I think the members would like to assure the President and the Council that their action with regard to registration is wholeheartedly endorsed by the members of the Society. Now I am going briefly to refer, Mr. President, to one other matter to which you alluded in your address and which is mentioned in the report, and that is the sinking fund for the redemption of the debentures. You mentioned, Sir, that during the year one member had made a donation to the Society of £200 in the form of debentures. That was a very generous gesture on the part of that member, and I cannot help thinking that we hope the example will be copied extensively. From what you have told us, you have already had one repetition of it this year, but it might very well happen that many of the debenture holders would not feel entirely free to copy that example too literally. As we always say, "business is very bad." It always has been very bad in the City, and I suppose it always will be bad, but it occurs to me that we do not, as a rule, particularly concern ourselves with what business is going to be like when we are dead. I therefore want to make the suggestion that some of the debenture holders who might be inclined to leave their holdings of debentures to the Society might do so free of legacy duty. (Laughter.) This suggestion could not come from the Council, but I feel no hesitation as one of the rank and file in putting it forward. I should like to know how it appeals to other members present. I believe most of the debentures are held in comparatively small amounts. In this way, members will have an opportunity of showing their gratitude to the Society. If the suggestion is at all favourably received, then I think the Council might consider it wise to have drafted, in proper legal terms, a form of codicil which might be used. It would have to be clearly understood that there was not the slightest shadow of even moral responsibility on the part of any debenture holder to adopt the proposal unless he felt so disposed. I have the greatest possible pleasure, Mr. President, in supporting the resolution before the meeting. (Cheers.)

Mr. G. PALMER (London): I do not know whether I can, in very few words, convey to you and to my fellow members who are Incorporated Accountants exactly what one feels in regard to this Registration Bill. Certainly for 30 years that I can remember we have had this question before us, and one of the staunchest members of the Council some two years ago said: "Registration is as dead as Queen Anne." (Laughter.) He was a Yorkshireman, and I have profound respect for the acumen of Yorkshiremen. I believe that they are often right. That statement made two years ago has been confirmed by no less an authority than the President of the Institute of Chartered Accountants quite recently in two notable speeches to which reference has been made. All I am concerned about is this: If there is no registration—and it is possible there will be no registration—we as Incorporated Accountants will not suffer in the least. I will put it that way. But I thoroughly believe we stand to lose personally as a corporate body by registration. Although our incorporation is invaluable, we must remember at the same time that it has been done by individuality. It was the individuality of Sir James Martin that made this Society. (Hear, hear.) And that is the quality that has gone on making it. Now I only want to say this, that it is quite evident to us, if the Bill fails—and we shall watch it with great interest—we shall not be antagonistic to the Institute. We shall endeavour to work, I hope, as we have done for many years past, in the interests of the profession and co-operate with them. We must adopt the old biblical expression, if you are smitten on one cheek turn the other. I think we must co-operate in that spirit. But I will say this, that we, as an incorporated body, if the Registration Bill fails, are strong enough to go on fighting for our own, and we are capable enough to do it. It is in that spirit, I say, gentlemen, we ought to meet this question of registration. (Cheers.)

Mr. H. E. COLESWORTHY (London): I should like to refer to the work of the Council during the past year. With regard to the acquisition of the Incorporated Accountants' Hall, I think sufficient time has now elapsed to enable us to reflect on that purchase, and to permit us to say that the step which was taken to acquire this hall has been amply justified by its usefulness, by what I may term its æsthetic qualities, and by the satisfactory financial position shown in the accounts. As a member of the London Students' Society, in particular, I should like to thank the Council for the facilities which they have readily accorded to us to meet here—a factor which has added in no small measure to the great success which has always attended our lectures in this room. That leads me to say a word in regard to the Society's educational work which is carried out by the Branches, District and Students' Societies, and by our own Students' Society of London. This work depends upon the members of the Society themselves, but it is aided by the very valuable help which is accorded to us very willingly by our friends in the legal profession and by our friends in allied professional bodies. I might single out for special mention the Chartered Institute of Secretaries and our very good friends in financial journalism, the City Editors of our national daily newspapers. As a comparatively junior member of the Society I can testify personally to the value and charm of the professional and personal friendships which are formed at the Society's meetings and gatherings. As a result of those meetings and of a remark which fell from the President, I venture, with all deference, to lay before the Council a suggestion on the subject of the part played by accountants during the last two or three years in joint stock finance. It arises particularly, as I say, through these meetings that have been addressed by our friends of the Press. The suggestion

is this, that however circumscribed may be the legal obligations and statutory duties of the professional accountant *vis-a-vis* the investing public, that public which is voicing its opinions through the financial Press will persist, and possibly rightly so, in fastening upon us a very much greater moral responsibility, particularly in the matter of prospectuses. That being so, I should like to ask the Council to consider at some future time the possibility of setting up a Commission, or Sub-Committee, with a view to considering this problem in all its aspects. The objects of such a Commission would be to examine the procedure which attends the birth of a prospectus, and to inquire into the procedure adopted by joint-stock banks, brokers and other parties who have a hand in the preparation of this document. To digress for a moment, the kind of matter to be inquired into would be the procedure adopted by different firms in dealing with a prospectus. We know that one firm will take a great amount of care and trouble to decide upon its course in regard to a prospectus and, after due consideration, will sometimes refuse to have anything to do with it. Strangely enough, however, within an hour or two another firm will consent to act. No blame is attributable to the other firm which does its business in a slightly different way. What I suggest is that an accepted code should be set down for dealing with this matter, so that we could free ourselves from some of the criticisms which are made, I think, very unjustly, particularly in times such as those through which we have been passing. The results of such an inquiry would, I submit, be of inestimable value to the members both in the provinces and in London, and would serve as the basis for a standard of etiquette and procedure in regard to prospectuses and define the ethics of a thorny question. It might also serve to put right some of the more general drawbacks to sound finance which characterised the raising of money in 1928. It might, for example, assist in the elimination of the non-commercial director, the half-pay general and the retired admiral; it might also assist in the entire extinction of the new type of company promoter from whom we have recently suffered—the man with little real intelligence and little commercial morality. Coming to a domestic point, I would like to congratulate the Council on the revised form of Year Book for 1930, which is a great improvement. It must have entailed a large amount of work, and we are deeply indebted to those responsible for its preparation and publication at a time when so many serious and important problems have to be considered. In conclusion, I congratulate the Society itself on having Mr. Morgan as its President, and I do so with more cordiality because I recollect that he was formerly President of the Incorporated Accountants' Students' Society of London, and I know that the present position of that Society is due in no small measure to his work and influence. (Cheers.)

Mr. A. F. C. Ross (Montreal): Mr. President, may I just say a word in expressing my appreciation that I am privileged to attend the annual meeting of the Society? I bring to you the congratulations and well wishes of the Canadian Committee. (Cheers.) The Canadian Committee was organised some 25 years ago when the President of the Society at that time, Mr. Harry Lloyd Price, was visiting the Conference in New York. I may say that the Committee is not a very progressive or active one, because the profession of accountancy is well covered in Canada by the Dominion professional bodies, and they in turn are linked up under the heading of the Dominion Association of Chartered Accountants, which is the parent body of them all, and which is used to standardise the ethics and ideals and to carry out the legislation connected with accountancy in the country. But the Canadian Committee is there to assist any members of the Society who wish to come to the country, and we are only too glad at all times to answer any inquiries or give any assistance to any accountant coming to Canada either on a visit or with the idea of carrying on professional work there. Membership of this Society carries privileges with most of our Provincial societies, who have reciprocal arrangements for membership and whose diplomas are recognised by the Association. There is, therefore, little need of a very active body there, but I would like to assure the members of this Society that we are at their call whenever we can be of use to them. I would also like to express our appreciation of the fact that last fall, when the delegates of our Society were going to attend the Congress of Accountants in New York, they were able to spend a short time *en route* in Montreal, Quebec, Ottawa and Toronto. We hope that at some time in the near future you will send another delegation on a special mission to Canada alone. (Cheers.)

Mr. G. A. RIDGWAY (Hull): I only wish to remark, Mr. President, that I come from the far North, and I have been delighted to hear the remarks to-day of another accountant from the North. I think the suggestion put forward by Mr. Witty is an extremely good one. I should like to say one word in praise of yourself and the Council. You have gone through a very trying year and we are all delighted with what you have done. (Cheers.)

Mr. A. E. WEBSTER (London): I am sorry to encroach upon the valuable time of members, but there is one thing that I should like to refer to. There is one feature which has not yet been touched upon and I commend it to members of the Society. The complications that have arisen in business in connection with the requirements of the Chancellor of the Exchequer have made further demands upon auditors and accountants, and legal obligations have been creeping into the various Acts of Parliament, throwing further duties on accountants, without in any way providing for the permanence of their remuneration. Consequently I would suggest that if you do have a Bill for the registration of accountants you will see that they are placed in a more advantageous position. You may have the Government calling upon you to perform all sorts of duties—as they are calling upon us now under the Companies Act of 1929—and throwing all sorts of obligations upon you without any provision for your permanence. It is a dangerous position for accountants to be in. Instead of being at liberty to advise our clients in a proper manner, we may have to advise them, perhaps, as may suit a Government Department. I think the Society is to be congratulated on its Chairman and Council. It was well looked up to 40 years ago, and it is held in even higher esteem to-day. As a matter of fact, I have found it of great advantage being an Incorporated Accountant, and I should be very sorry to see either our title or our position changed. It depends upon how we carry on our functions how we shall be valued in the future. The Society is very greatly appreciated to-day, and I am certain it will be even more appreciated if we continue under the leading we have at present. (Cheers.)

Mr. P. H. WALKER (Cardiff): After the eloquent speeches we have heard from the Council Board and the body of the hall, I will be very brief. Speaking as a provincial member, I would like to say that we in

the provinces do not regard with the same temerity or diffidence as the London members what would happen in the case of registration. We are, in fact, wholeheartedly for it, and that in the interests not so much of the practising members as in those of the articled pupils and of the general public. The time has come when we must go in for it. Turning to the accounts, the President has told us that there was a reduction of £800 odd in the item of travelling expenses. If we look lower down, however, we see that a new item has crept in on the other side, viz, expenses in connection with the International Congress on Accounting. In the previous year we had an International Congress at Amsterdam, and I think that the expenses in that case went under the heading of travelling expenses. I am only asking for information, but it appears to me that the decrease referred to is more apparent than real. On the other side of the accounts, we are glad to note that as a result of the District Societies' scheme the Society has been saved from having a deficit. We notice that the income from subscriptions is increased by £4,000, and as there are only 250 new members, which would practically account for £1,000, I think we are right in assuming that the £3,000 increase is the result of the District Societies' scheme. If that is so—I am open to correction—it is rather a pity that the amount distributed to the District Societies by way of grants has only increased from £876 to £2,218—an increase of £1,342. In other words, the Society has got £3,000 more revenue as the result of the new scheme and the District Societies have had distributed to them £1,300 more. We were assured when the Scheme was first put before us that the object of it was that the bulk of the money should be for the benefit of the District Societies. £1,342 is not the bulk that has been earned. With these very few remarks I congratulate the Council very warmly on their year's work.

The PRESIDENT: I am sure every one of you must have listened to the discussion which has taken place with very great interest. I would like specially to refer to the observations made by Mr. Ross. I had heard about Mr. Ross before to-day, because my predecessor, Mr. Thomas Keens, and those members of the Council who were fortunate enough to go to America to attend the Congress had already told me how lavishly they had been entertained by Mr. Ross. (Hear, hear.) We are always very glad at any of our annual meetings to hear a speech from any of our members overseas, especially as it serves to remind us that this Society in one respect differs from any other British body of accountants. Our activities are world-wide; we have members all over the world, and and Branches in the British Dominions. I am sure at this stage you will not want me to refer at any length to the many admirable speeches that have been made. I would like just to correct a statement made by Mr. Walker. I said that the general expenditure under the heading of travelling expenses, as set out in the accounts, showed a reduction of £550 during last year. That is a real reduction and is not due to any rearrangement of special expenditure. We are very much obliged to Mr. Ridgway and Mr. Webster for their observations. We are also indebted to Mr. Witty for his suggestion with regard to the redemption of the debentures, and I can assure him that if there is any widespread desire on the part of the debenture-holders to follow his suggestion, the Council will take steps to have prepared a special form of codicil which can be supplied to them. Now the resolution has been proposed and seconded, and I will put it to the meeting.

The resolution was then put to the meeting and carried unanimously.

Mr. T. HUDSON (Bradford): Before you proceed with the next resolution, Mr. President, I should like to offer a word or two of explanation with regard to the nomination of Mr. Herbert Reynolds, who, I understand, has decided to withdraw. Mr. Reynolds is only young in years, but is old in the service of the Society of Incorporated Accountants and Auditors. For the last 16 years he has acted in the capacity of Honorary Secretary to the Bradford District Society, and during that period he has served the Society both faithfully and well. He has also been most enthusiastic in his support of the Society's activities by attending conferences and doing all he possibly could to promote the best interests of the Society. Therefore, when a vacancy occurred on the Council owing to the death of the late Mr. W. Claridge, who served the Society for a great many years in such a distinguished manner, both as a member of the Council, President of the Society and one of its examiners, it was felt that a representative from Bradford should be nominated in his place, and the choice unanimously fell upon Mr. Reynolds, as it was thought that such loyal and devoted service was worthy of some recognition. His nomination was forwarded as far back as November, and as nothing definite was known until the announcement was made in the *Incorporated Accountants' Journal* for May that the vacancy had been filled, it was felt by the Bradford Society that they had not received the consideration to which they were entitled, and it was decided to allow Mr. Reynolds' name to go forward. Mr. Reynolds, however, on hearing the explanation which has been offered to him to-day, was quite satisfied with the situation, and has decided to withdraw.

Mr. HERBERT REYNOLDS (Bradford): When the time was drawing near for this annual meeting and nothing had been heard regarding my nomination, the Committee of the Bradford District Society felt rather hurt that almost six months had passed without any intimation being given as to what was being done in the matter, and they pressed me very hard to allow my name to be put forward again in time to come before this meeting. When I saw from the May issue of the *Journal* that the vacancy had been filled, I asked the Bradford Committee to allow me to withdraw, but they said "No, we want you to push it forward." They felt rather hurt that they had not been informed as to what had happened. But from explanations I have heard to-day I have come to the conclusion that it will be in the best interests of the Society if my nomination is withdrawn. (Hear, hear.) Another reason is, of course, that the vacancy having been filled by the Council after due consideration of a number of nominations, I cannot presume to allow my name to go forward. I could not allow my name to be put forward against gentlemen whom we all know and honour for carrying on the work of the Society for so long. Therefore, Mr. President, I would like my name withdrawn. (Cheers.)

The PRESIDENT: I would like to thank Mr. Hudson and Mr. Reynolds for what they have said, because they have by their action relieved me from a little difficulty. You see a very difficult position had arisen. There were really only two vacancies and there were three candidates for them. In having to oppose one of the candidates it might be thought that there was some personal consideration in it, and I want to say definitely that there would have been nothing personal whatever. (Hear, hear.) I think it is right that I should explain to the meeting that the work of the Council of this

Society is getting very, very heavy, and in deciding whom we should recommend for election to the Council we have to take into account all the work that has to be done. Those of you who read the *Journal* will see that we hold some five or six Council meetings during the year, but the attendance at those Council meetings represents only a very small part of the work which falls to the members of the Council. I think we have from 40 to 50 Committee meetings, and those meetings involve very long sittings and make serious demands upon the members of the Council. It is quite inevitable that the bulk of that Committee work must fall upon the London members, or else upon members who are not very far away. Mr. Hudson suggested that Bradford, having lost a representative in the person of Mr. Claridge, was entitled to have a Bradford representative in his place. Now that is opposed to the whole principle upon which this Society has been conducted ever since its formation. It is necessary with the increasing work and obligations of the Council that we should always have on the Council the very best men whom we can select from amongst our members. Mr. Reynolds pointed out that several months had elapsed before anything could be done to fill that vacancy. Constantly, ever since the vacancy occurred, discussions have been taking place between past Presidents and the older members of the Council as to which members are best fitted to fill the vacancies that have occurred on the Council, and in selecting Mr. Woolley and Mr. Branson we came to the conclusion that both of those gentlemen were men of outstanding position within the profession and had those qualities which are really necessary to further the interests of the Society. I am very much obliged to Mr. Reynolds. He has done as I should have expected him to do. Having become aware of the circumstances, he has withdrawn. Mr. Reynolds has done great work for our Society in Bradford. (Cheers.) I have very close personal associations with Bradford, and therefore I am fully aware of the splendid work he has done for the Society in that city, and he has, in my opinion, shown his desire for the welfare of this Society in withdrawing his name to-day. I am very much obliged to him.

Mr. C. HEWETSON NELSON, J.P. (Liverpool): Before moving the resolution which has been allotted to me, may I, as Chairman of the Finance Committee, say two words with regard to the criticism which emanated from Cardiff. First of all, Mr. Walker, as I understood him, rather complained that the expenses of the New York Congress were set out as a separate item in the accounts before you to-day, but that the expenses of the Amsterdam Conference were lumped in the travelling expenses of 1928. Ladies and gentlemen, you may search the 1928 accounts in vain to find the Amsterdam expenses. That Conference took place in 1926, and the expenses in connection with it were set out in the 1926 accounts. (Laughter.) But the point I want to deal with is that Mr. Walker seems to think that the Finance Committee have done an injustice to the provinces in not distributing to them a major portion of the increased subscriptions. I may say for his benefit, and for the benefit of others who are not aware of the fact, that the apparent discrepancy he sees in the accounts is entirely due to the fact that London has not yet had her fair share, but so far as the provinces are concerned, they have had all that we promised them. Mr. President, I now beg to propose the re-election of the following three London members of the Council: Mr. George Stanhope Pitt, Mr. William McIntosh Whyte and Mr. Arthur Edwin Woodington. Both Mr. Woodington and Mr. Pitt are ex-Presidents of the Society. It was, I believe, first of all through the action of Mr. Pitt that we had our eyes drawn to this building. We have always remembered that in his favour—that it was to him we first owed the idea. To Mr. McIntosh Whyte we owe a great debt of gratitude—how great only the Chairman of a Committee knows—because he can always be relied upon to form a quorum, and that is very essential to the work of the Society. I beg to move the re-election of those three gentlemen.

Mr. THOMAS KEENS: I beg to second the resolution, and after the explanations given to the meeting about their respective excellent qualities, I am sure no further words are necessary from me.

The resolution was then put to the meeting and carried unanimously.

Mr. G. S. PITT (London): It is my privilege and pleasure to propose the re-election of the retiring provincial members of the Council—Mr. Duncan Edward Campbell, Mr. Thomas Keens, Mr. Ernest Tritschler Kerr, Mr. Percy Toothill, and Sir Charles Henry Wilson. Their splendid services to the Society are so well known to you all that I am sure you will desire to re-elect them with enthusiasm.

Mr. WHITTAKER (Southampton): I have pleasure in seconding this proposition.

The resolution was unanimously agreed to.

The PRESIDENT: It is now my pleasure to propose the election as members of the Council of Mr. Ralph Macaulay Branson, of Leicester, and Mr. Fred Woolley, of Southampton. In view of my previous remarks it is not necessary for me to say very much in proposing this resolution. Both of these gentlemen are well known members of our Society. Mr. Woolley has been actively associated, and really more prominently identified than any provincial member of the Society, with the District Societies scheme. He has done splendid work in connection with it and is known to practically every one of you. Mr. Branson is a prominent member of our Society. He occupies a position as partner in one of the prominent firms of Incorporated Accountants in the Midlands. He comes from Leicester, and although I have deprecated merely territorial considerations, it is a fact that he comes irom an area which is not yet represented on our Council. I therefore have much pleasure in proposing that they be elected members of the Council, and I will ask the Vice-President to second it.

The VICE-PRESIDENT (Mr. E. Cassleton Elliott): I beg formally to second the resolution.

The resolution was put to the meeting and carried.

Mr. R. M. BRANSON (Leicester): I thank you, Mr. President and gentlemen, very much indeed for the very high honour you have done me in electing me a member of your Council. I assure you I will leave no stone unturned for the benefit of accountancy and this Society in particular.

Mr. FRED WOOLLEY, J.P. (Southampton): Perhaps, Mr. President, you will allow me to say a word of thanks and appreciation for my election as a member of the Council. It is indeed a great privilege to be permitted to serve a Society to which one owes so much, and I need hardly say that my best endeavours will be used in carrying out the duties.

Mr. W. A. PEARMAN (London): I beg to move: That Mr. Robert Heatley, Incorporated Accountant, Manchester, be re-elected an Auditor of the Society at a remuneration of thirty guineas per annum, and travelling

expenses to be paid in addition; and that Mr. Arthur Henry Hughes (Hughes & Allen), Incorporated Accountant, London, be re-elected an Auditor of the Society at a remuneration of thirty guineas per annum.

Mr. HALVOR PIGGOTT (Manchester): I beg to second the resolution just proposed.

The resolution was put to the meeting and carried.

Mr. C. HEWETSON NELSON: Gentlemen, I beg to propose that we accord to the President our very hearty and sincere thanks for his efficient services during the year and for presiding over this meeting. I should like to speak for some time on this interesting topic, but I will content myself by saying that Mr. Morgan has the warm-hearted support of the whole of the Council, as, I am sure, you will now express to him that he has of the members.

The vote of thanks was carried with acclamation.

The PRESIDENT: Mr. Hewetson Nelson, ladies and gentlemen, may I just shortly thank you very much for your vote of thanks. It was not necessary for Mr. Nelson to say that I had the support of the Council. I have always felt that I have had that support, and it is of the greatest assistance in helping me to carry on what is a task of very great responsibility, but one which is not unattended with a great deal of pleasure. Once more I thank you.

EXTRAORDINARY GENERAL MEETING.

The PRESIDENT said: You have already received notice of an Extraordinary General Meeting, which sets out a resolution to make an alteration in the Articles of the Society. Is it your pleasure that we should take the notice of the meeting as read? ("Agreed.")

I think the wording of the resolution pretty well explains itself. We find from time to time that certain members of the Society who have been members for a large number of years, when they retire from active work in the profession, still desire to keep up their connection with the Society, but yet in view of the fact that they have retired from professional work they feel that the annual subscription is a somewhat heavy burden for them to bear. It is in order to meet those cases that this alteration in the Articles is proposed. The resolution which I now propose is as follows:—

"That the Articles of Association of the Society be altered in the following manner, namely:—

"(A) By inserting immediately after sub-sect. (*e*) of Article 22 the following new heading and sub-section:

MEMBERS IN RETIREMENT.

"(*f*) As on and from the 1st day of January, 1930, a Member of not less than 55 years of age who has been a Member for at least 25 years, and who has, with a view to permanent retirement, retired from professional work or business, and who shall have given the Council proof of his age and retirement, shall, being a Fellow, pay a reduced subscription of £2 2s., or, being an Associate, pay a reduced subscription of £1 1s. so long as such retirement shall continue. Provided that the Council may from time to time vary the conditions (other than the amount payable under this sub-section) in any individual case.

"(B) By adding at the end of Article 26 the words: 'Provided that the Council shall have power, upon application in special cases, to suspend the operation of this Article as regards the payment of the outstanding subscriptions.'"

I will ask the Vice-President to second the resolution.

The VICE-PRESIDENT (Mr. E. Cassleton Elliott): The President has fully explained the resolution and I will just formally second it.

The PRESIDENT: Does any member wish to ask any questions or make any observations? If not I will put the resolution. I declare the resolution carried as a special resolution. That, ladies and gentlemen, concludes the business of the meeting.

45th ANNUAL REPORT.

The Council have pleasure in submitting to the members their Forty-fifth Annual Report.

NEW MEMBERS ELECTED.

During the year 1929 the names of 251 new members were entered upon the Society roll, and 49 Associates were advanced to the degree of Fellow. At the dates of election they were resident in the following countries:—

	Fellows.	Associates.	Total.
England and Wales ..	1	214	215
Scotland	–	3	3
Ireland	–	10	10
South Africa ..	–	14	14
East Africa	–	1	1
Egypt	–	1	1
India	–	5	5
France	–	1	1
South America ..	–	1	1
TOTAL	1	250	251

ASSOCIATES ADVANCED TO FELLOWS.

England and Wales	33
Scotland	1
Ireland	3
South Africa	5
Canada	1
India	4
Kenya Colony	1
South America	1
TOTAL	49

The figures for the past three years are as follows:—

	1927.	1928.	1929.
New members elected ..	301	275	251
Associates elected Fellows	66	61	49

NUMBER OF MEMBERS ON THE ROLL AT CLOSE OF YEAR.

The total number of members on the roll on December 31st last was 5,225, and consisted of 1,408 Fellows, 3,813 Associates, and 4 Honorary Members. Two Fellows also held rank as Honorary Members.

OBITUARY.

The Council regret that the deaths of 45 members (22 Fellows and 23 Associates) were notified in 1929. Among the members who died in 1929 were Mr. William Claridge, M.A., J.P., of Bradford, a member of the Council and President of the Society from 1919 to 1922; Mr. Henry Toothill, of Sheffield, an original member of the Society and formerly a member of the Council; and Mr. Frederick William Diamond, of Johannesburg, a founder of the South African Branch of the Society.

EXAMINATIONS.

The number of candiates at the Preliminary, Intermediate and Final examinations was 1,727, of whom 857 passed and 870 failed.

The following are the comparative figures for the past three years.

FINAL.

Year.	No. of Candidates.	Passed.	Failed.
1927	540	62%	38%
1928	515	48%	52%
1929	556	46%	54%
Total	1,611	836	775
		52%	48%

INTERMEDIATE.

Year.	No. of Candidates.	Passed.	Failed.
1927	791	49%	51%
1928	893	51%	49%
1929	839	48%	52%
Total	2,523	1,249	1,274
		50%	50%

PRELIMINARY.

Year.	No. of Candidates.	Passed.	Failed.
1927	368	62%	38%
1928	344	63%	37%
1929	332	59%	41%
Total	1,044	642	402
		61%	39%

TOTAL FOR THREE EXAMINATIONS.

Year.	No. of Candidates.	Passed.	Failed.
1927	1,699	56%	44%
1928	1,752	53%	47%
1929	1,727	50%	50%
Total	5,178	2,727	2,451
		53%	47%

Prizes and Honours Certificates were awarded to the following candidates :—

FINAL EXAMINATION.

1st Certificates of Merit—

Jones, Charles Edward Irvine, A.S.A.A., London (May, 1929) (*Prize*).

Doyle, Andrew James, A.S.A.A., Alnwick (November, 1929) (*Prize*).

2nd Certificates of Merit—

Cooke, Arthur John, A.S.A.A., Brighton (May, 1929) (*Prize*).

Hallam, Herbert Frederick, Newport (Mon) (November, 1929) (*Prize*).

3rd Certificate of Merit—

Fothergill, Herbert Senior, A.S.A.A., London (May, 1929) (*Prize*).

4th Certificates of Merit—

Hayward, Edward James, A.S.A.A., Northampton (May, 1929).

Beckford, Ernest Walter, A.S.A.A., Bloemfontein (May, 1929).

5th Certificate of Merit—

MacLeod, Stanley Balbirnie, A.S.A.A., Dorchester (May, 1929).

6th Certificate of Merit—

Trump, Thomas Henry, A.S.A.A., Newport, Mon. (May, 1929).

7th Certificate of Merit—

Nelson, William Bertram, A.S.A.A., Liverpool (May, 1929).

8th Certificate of Merit—

Little, Ivan, Skegness (May, 1929).

9th Certificate of Merit—

Osborne, Norman William, A.S.A.A., London (May, 1929).

INTERMEDIATE EXAMINATION.

1st Place Certificates—

*Shaw, Alfred, Manchester (May, 1929).

*Williams, Robert Emmerson Batty, North Shields (May, 1929).

*Filby, Herbert Edward, London (November, 1929).

2nd Place Certificate—

Casbourn, Frederick Henry Charles, Plymouth (November, 1929) (*Prize*).

3rd Place Certificates—

Howard, Reginald Percival, Lowestoft (May, 1929).

Webb, Edward George Newnam, Southampton (November, 1929).

4th Place Certificates—

Madders, Harold, Norwich (May, 1929).

Thompson, William Daniel, Leicester (November, 1929).

5th Place Certificates—

Hillan, Edward Vincent, Belfast (May, 1929).

Tomlinson, Harold, Bolton (May, 1929).

Shah, Ramanlal Bhogilal (B.Com.), Bombay (November, 1929).

7th Place Certificate—

Hogg, David Alexander, Croydon (May, 1929).

8th Place Certificate—

Spain, Sidney Friend, London (May, 1929).

9th Place Certificate—

Turner, Herbert Stanley, King's Lynn (May, 1929).

PRELIMINARY EXAMINATION.

1st Place Certificates—

*Riches, Frank John, Norwich (May, 1929).

Pell, John Mansfield, Bristol (November, 1929).

2nd Place Certificate—

Hewitt, John Scott, Johannesburg (May, 1929).

* Disqualified for Prize by age limit.

GOLD AND SILVER MEDALS.

The Council have awarded the Society's Medals for 1929 as follows :—

Gold Medal to Charles Edward Irvine Jones, Exchequer and Audit Department, London (First Place, May Examination, 1929).

Silver Medal to Arthur John Cooke, Clerk to Mr. Ernest Webb, Incorporated Accountant, Brighton (Second Place, May Examination, 1929).

BILLS IN PARLIAMENT.

During the year the Local Legislation Committee of the House of Commons heard petitions in regard to the Audit Clause in the Chester Corporation Bill, which was in the usual form limiting the audit to Chartered or Incorporated Accountants. In giving a decision against any alteration of the clause, the Chairman stated that the Committee considered the time opportune for establishing a Register of properly qualified persons in the accountancy profession on the lines of the legal and medical professions. Following this statement, representatives of the Society of Incorporated Accountants and Auditors, with representatives of the Institute of Chartered Accountants and of the Scottish Chartered Accountants, sought an interview with the President of the Board of Trade, and requested that he would set up a Departmental Committee to consider the question of Registration. The President of the Board of Trade assented to this request.

INTERNATIONAL CONGRESS ON ACCOUNTING, NEW YORK.

The Council having accepted an invitation for the Society to be represented at this Congress, a delegation from the Council, consisting of Mr. Thomas Keens (President), Mr. Arthur Collins, Mr. E. Cassleton Elliott, with Mr. A. A. Garrett (Secretary), visited Canada and the United States in September, 1929.

In Canada they were received and entertained by the Canadian Committee of Incorporated Accountants, the Society of Chartered Accountants in the Province of Quebec, the Institute of Chartered Accountants of Ontario, and by municipal and public authorities.

The delegation, supported by a number of other Incorporated Accountants, participated in the International Congress on Accounting held in New York in September, the President of which was Colonel Robert H. Montgomery (New York). Each of the members of the delegation presented a paper at the invitation of the Congress Committee.

At the conclusion of the Congress, the delegation was entertained by the American Institute of Accountants (President, Mr. F. H. Hurdman) at the annual meeting of the Institute in Washington.

The Council, by formal resolution, have expressed the thanks of the Society to the respective hosts for the reception accorded to the representatives of Incorporated Accountants and to the members of the delegation for their services.

BRANCHES AND DISTRICT SOCIETIES.

Substantial progress has been made with the development of the Branches and District Societies Scheme. New District Societies have been formed in Leicester, East Anglia and Hull. The usual Conference with representatives of Branches and District Societies was held in London.

COMPANIES ACT, 1929.

During the year an Act to consolidate the law relating to Companies was placed on the Statute Book. In addition to being a consolidating Act, it embodied the amendments effected by the Act of 1928. Counsel's Opinion was obtained with regard to the provisions of the Act as affecting accountants, and a summary of the changes in the law, together with *pro forma* balance-sheet, was published by the Council of the Society.

INCORPORATED ACCOUNTANTS' CONFERENCE, 1930.

An invitation extended by the Sheffield District Society to hold a Conference of Incorporated Accountants in Sheffield in September, 1930, has been accepted by the Council.

IRELAND.

The President, Vice-President and Officers of the Society have paid visits to the Irish Branch and the Belfast District Society.

At the instance of the Minister of Industry and Commerce of the Irish Free State, Conferences have taken place between representatives of the accountancy profession and the permanent officials of the Ministry with a view to arriving, if possible, at a basis of agreement on which a Bill for Registration in the Irish Free State might be framed, if the Government consider such a Bill to be desirable in the interests of the public and the profession.

SOUTH AFRICA.

The Council have had the advantage of meeting representatives of the Society's South African Committees, who have visited London, and have been in communication with South Africa in regard to the interests of Incorporated Accountants in the Union.

AUSTRALIA.

Mr. Arthur S. Baillieu, President of the Society's Victorian Division, paid a visit to England and conferred with the Council.

INCORPORATED ACCOUNTANTS' HALL.

Incorporated Accountants' Hall, which was opened by H.R.H. The Duke of York on February 19th, 1929, has proved of considerable value to the members and administration of the Society.

To mark the completion of his work at the Reparations Conference, a dinner was given at the Hall to Sir Josiah Stamp, G.B.E., and was attended by His Excellency the American Ambassador and a distinguished company.

COUNCIL.

At the last annual general meeting Mr. Richard Wilson Bartlett, J.P., Fellow in public practice, of Newport, Mon, and Cardiff, was elected to a seat on the Council.

In accordance with the provisions of Article 48, the Council have appointed to fill two occasional vacancies Mr. Fred Woolley, J.P., Fellow in public practice, Southampton, and Mr. Ralph Macaulay Branson, Fellow in public practice, Leicester. Their names will be submitted to the annual general meeting for election as members of the Council.

The following members of the Council retire under Article 49, and, being eligible, offer themselves for re-election :—

London.

Mr. George Stanhope Pitt.

Mr. William McIntosh Whyte.

Mr. Arthur Edwin Woodington.

Provinces.

Mr. Duncan Edward Campbell, Wolverhampton.

Mr. Thomas Keens, Luton and London.

Mr. Ernest Tritschler Kerr, Birmingham.

Mr. Percy Toothill, Sheffield.

Sir Charles Henry Wilson, LL.D., J.P., Leeds.

Mr. William Bateson, Blackpool, also retires under Article 49, but does not offer himself for re-election.

PRESIDENT AND VICE-PRESIDENT.

Mr. Henry Morgan (London) and Mr. Edward Cassleton Elliott (London) were unanimously elected to the respective offices of President and Vice-President at a meeting of the Council held in November, 1929. Upon the completion of his period of office as President, the Council passed a resolution of thanks to Mr. Thomas Keens for his services to the Society.

INCORPORATED ACCOUNTANTS' YEAR BOOK, 1930.

The Year Book for 1930 has been published in an improved form, and contains additional information in regard to members and firms, of which one or more partners are Incorporated Accountants.

ACCOUNTS.

The audited accounts for 1929 are annexed to this Report and show a surplus of £1,157 6s. 2d. for the year. This figure is arrived at after debiting the sum of £1,250, which it has been decided shall be set aside annually to constitute a sinking fund reserve in respect of the £70,000 mortgage debentures issued in connection with the purchase of Incorporated Accountants' Hall. The Council acknowledge a gift to the Society of £200 of its own debentures in aid of the sinking fund reserve.

HENRY MORGAN,
President.

E. CASSLETON ELLIOTT,
Vice-President.

ALEXANDER A. GARRETT,
Secretary,

Incorporated Accountants' Hall,
Victoria Embankment, London, W.C.2.

April 1st, 1930.

Dr. REVENUE ACCOUNT FOR THE YEAR ENDING DECEMBER 31ST, 1929. Cr.

EXPENDITURE.

	£ s. d.	£ s. d.
To Salaries		5,090 1 6
„ Rates	754 0 9	
„ Insurances	213 11 11	
„ Housekeeper, Lighting, Telephone, &c.	720 14 6	
		1,688 7 2
„ Travelling Expenses	818 16 5	
„ Stationery and Printing, including Year Book	2,402 9 4	
„ Postage and Telegrams	377 5 6	
„ Legal and Parliamentary Expenses	787 8 3	
„ Advertisements	424 16 6	
„ Subscriptions and Contributions to Chambers of Commerce	55 13 0	
„ Auditors' Fees and Expenses	68 19 10	
„ Miscellaneous Expenses	684 2 4	
		5,619 11 2
„ Expenses of Examinations and Prizes		3,507 2 1
„ Grants to Branches, District and Students' Societies		2,218 17 10
„ Debenture Interest (Gross)		3,425 10 1
„ Expenses in connection with International Congress on Accounting		810 18 7
„ Additions to Library		116 8 11
„ Depreciation of Furniture, &c.		149 17 6
„ Corporation Duty		50 0 0
„ Reserve for Redemption of Debentures :—		
Annual Instalment	1,250 0 0	
Interest on £200	8 0 0	
		1,258 0 0
„ Balance, being surplus of Income over Expenditure for the year		1,157 6 2
		£25,092 1 0

INCOME.

	£ s. d.	£ s. d.
By SUBSCRIPTIONS		15,209 0 0
„ ENTRANCE FEES—		
50 Fellows	273 0 0	
250 Associates	2,625 0 0	
		2,898 0 0
„ EXAMINATION FEES		5,656 19 0
„ DIVIDENDS ON INVESTMENTS (Gross) *less* Bank Interest paid		485 15 8
„ SUNDRY FEES, &c.		476 12 4
„ HIRE OF ROOMS		165 14 0
„ CONTRIBUTION FROM *Incorporated Accountants' Journal* TOWARDS OFFICE EXPENSES		200 0 0
		£25,092 1 0

BALANCE SHEET, DECEMBER 31ST, 1929.

LIABILITIES.	£ s. d.	£ s. d.
To MORTGAGE DEBENTURES		70,000 0 0
„ SUNDRY CREDITORS—		
On Revenue Account..	5,074 17 3	
On Capital Account ..	747 1 11	
		5,821 19 2
„ *Incorporated Accountants' Journal* (Loan) ..		1,000 0 0
„ Bank Overdraft		4,862 5 6
„ Subscriptions for 1930 (paid in advance) ..		148 11 0
„ Examination Fees (paid in advance)		207 16 6
„ Reserve for Debenture Redemption—		
Annual Instalment ..	1,250 0 0	
Donation during year and Interest thereon	208 0 0	
		1,458 0 0
„ ACCUMULATED FUND—		
Balance at December 31st, 1928	36,948 6 5	
Add Surplus for 1929 ..	1,157 6 2	
		38,105 12 7
		£121,604 4 9

H. MORGAN, *President.*

C. HEWETSON NELSON,
Chairman of Finance Committee.

May 1st, 1930.

ASSETS.	£ s. d.	£ s. d.
By Freehold Property—		
Incorporated Accountants' Hall, at Cost..		100,694 19 7
„ Furniture and Fittings at Cost, *less* amount written off		3,384 12 4
„ Library at Cost, *less* amounts written off ..		300 0 0
„ INVESTMENTS AT COST—		
£6,000 0s. 0d. 4½% Conversion Stock 1940-44	5,461 13 3	
£3,300 0s. 0d. 4% Funding Stock 1960-90 ..	2,786 16 6	
£1,129 7s. 2d. 3½% India Stock	1,272 4 3	
£550 0s. 0d. 4% Union of South Africa Consolidated Stock 1943-63	547 7 0	
£550 0s. 0d. 3½% New South Wales Stock 1930-50 ..	535 13 3	
£500 0s. 0d. 3½% Queensland Stock 1950-70	478 3 6	
£250 0s. 0d. 3% Local Loans Stock..	248 16 0	
£600 0s. 0d. 3% London County Consolidated Stock ..	517 12 0	
£200 0s. 0d. 3% Nottingham Corp. Stock 1920-60	192 0 0	
£500 0s. 0d. 3% Leeds Corporation Stock	463 7 0	
£900 0s. 0d. 4% L. & N.E.Ry. Deb. Stock	1,104 11 6	
£500 0s. 0d. 4% L. & N.E.Ry. Second Pref. Stock	637 2 0	
£150 0s. 0d. 5% G.W.Ry. Guar. Stock	248 19 0	
£200 0s. 0d. 5% Society of Incorporated Accountants & Auditors Debentures .. .. (Market Value of Investments, December 31st, 1929, £12,578 1s. 2d.)	200 0 0	14,694 5 3
„ Sundry Debtors and Dividends accrued		503 10 5
„ Cash at Bank and in Hand		2,026 17 2
		£121,604 4 9

AUDITORS' REPORT TO THE MEMBERS.

We report to the members that we have examined the foregoing Accounts, together with the books of the Society and the vouchers relating thereto, and have verified the Investments and Cash Balances. We have obtained all the information and explanations we have required, and, in our opinion, the Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the Society's affairs, according to the best of our information and the explanations given to us, and as shown by the books of the Society.

ARTHUR H. HUGHES } *Incorporated*
ROBERT HEATLEY } *Accountants, Auditors.*

LONDON, *April 30th*, 1930.

Society of Incorporated Accountants and Auditors.

South African (Western) Division.

ANNUAL MEETING.

The fourth annual general meeting was held in the Argus Board Room, Cape Town, on April 11th.

Sir Harry Hands (Chairman) presided, supported by Mr. P. L. Close, Mr. A. N. Foot, Mr. W. B. Gurney, Mr. G. Hadfield, Mr. P. Salisbury (members of the Committee), Mr. K. C. M. Hands, Mr. G. A. McLoughlin, Mr. A. C. Sergeant, Mr. E. Simpson, Mr. C. D. Gibson (Hon. Secretary).

Chairman's Address.

The Chairman, in his address, outlined the events of the past year. He announced particulars of candidates who had taken the examinations of the Society and made reference to the poor result attained by Final candidates at the November examination. He stated that candidates would have to pay more attention to the accountancy subjects, in which group it was essential that a pass should be secured. Figures were then given as to the number of articled clerks registered during the year.

Reference was made to the case of *The Society* v. *J. E. Powell*, and the Chairman stated that, after a considerable amount of work and preparation, the hearing had been completed and the Society had obtained an injunction against the defendant restraining him from using the designation "Incorporated Accountant (S.A.)," and that costs were awarded. In this connection it was doubtful whether any substantial recovery would be made, but, at this stage, a small amount had been received from the defendant. Subsequent to this action, it was found that a body styled "The International Accountants' Corporation and Book-keepers' Institute of Australasia (Incorporated)" had inserted advertisements in the Press in South Africa inviting applications for membership and stating that the corporation was prepared to confer the title "Incorporated Accountant (S.F.A.I.)." On the appearance of the advertisement in a paper circulated in that area, the Honorary Secretary had taken steps which resulted successfully, and no further use of the title would be made.

During the year there were admitted:—As Fellows, Mr. W. B. Gurney, Mr. F. J. Thresher; as Associates, Mr. M. Berman, Mr. E. W. Beckford.

Referring to the contribution made by the Committee to the Benevolent Fund, the Chairman commended the Fund to all members, stating that the annual subscription of half a guinea was a small amount which he would like to see contributed by more of those resident in that area, and reminded all that the benefits of the Fund were open to every member of the Society. The Chairman announced that the Trustees had paid him and the S.A. (Western) Committee (on the suggestion of Sir James Martin) the compliment of appointing him one of the Vice-Presidents of the Fund. The Chairman stated that close co-operation between their Committee and the Northern and Eastern Committees had been maintained during the year by way of interchange of minutes of meetings and by correspondence, and that members could rest assured that no action affecting members or their rights would be taken without the fullest co-operation throughout South Africa. He also touched on the close co-operation of the Council in London and the very generous support received from headquarters.

TRIBUTE TO THE HON. SECRETARY.

In conclusion, the Chairman paid a tribute to the Honorary Secretary, stating that a great deal of his time had been given to the interests of the Society, more particularly during the past year, in connection with the case successfully prosecuted in the Supreme Court. He moved a hearty vote of appreciation for all that Mr. Gibson had done since assuming duties as Honorary Secretary. Mr. A. N. Foot, in seconding the motion, said he did so with great pleasure, and expressed the opinion that the Society would not have attained the position it had but for the energy displayed by the Honorary Secretary and his predecessor, the late Mr. Harry Gibson, to whom he had proved a worthy successor. On being put to the meeting, the motion was carried with acclamation.

Mr. Gibson replied, thanking the Chairman and Mr. Foot for their remarks, and members for the way in which they had received this motion. After stating shortly the great increase in the work involved, he gave it as his opinion that both he and Mr. Garrett, the Secretary, were fortunate in following the footsteps of two members of the Society who had placed the interests of members before everything else.

The annual accounts were laid on the table. It was proposed by Sir Harry Hands and seconded by Mr. G. Hadfield, that the annual accounts as audited be adopted. Carried unanimously.

It was proposed by Mr. A. N. Foot, and seconded by Mr. W. B. Gurney, that Mr. H. J. Notcutt be re-elected auditor for the current year. Carried unanimously.

The Chairman announced that, as no other nominations had been received, he had to declare Mr. A. S. Hooper, Mr. A. S. Leith, and Mr. P. L. Close duly re-elected for the period of three years.

FINANCE.

Mr. Gibson stated that, since the accounts had been drawn, the Committee had accumulated funds to a greater extent than hitherto, and he suggested to members that it would be opportune to use such funds for the benefit of members. He suggested two directions—firstly, that the fees paid by examinees might be reduced by half a guinea and, secondly, that the basis of the grant made by the Finance Committee in London to this Committee might be revised, whereby a greater amount be retained at Head Office, and thus assist towards redemption of the debt on Incorporated Accountants' Hall. The Chairman expressed himself in agreement, and the meeting decided to leave the matter in the hands of the Committee, with the recommendation that the suggestion be discussed and, if thought fit, adopted.

STUDENTS' SECTION.

In reply to the Chairman, Mr. Close stated that great difficulty had been found in commencing this section, and he was afraid that the time of candidates was fully occupied with studies at either the University or Technical College. In both cases lectures commence at 5.15 p.m., and candidates were not able to foregather again later in the evening.

THANKS TO CHAIRMAN.

Mr. A. N. Foot proposed a vote of thanks to the Chairman for presiding both at the annual general meetings and at the meetings of the Committee throughout the year. Mr. Foot stated that the Chairman had given a great deal of his personal time and attention to the affairs of the Society, and members expressed their appreciation when approving of the motion.

Society of Incorporated Accountants and Auditors.

MEMBERSHIP.

The following additions to, and promotions in, the Membership of the Society have been completed since our April issue :—

ASSOCIATES TO FELLOWS.

BRODIE, ANDREW (J. Paterson Brodie & Son), Moor House, Moorland Road, Burslem, Stoke-on-Trent, Practising Accountant.

CLARIDGE, CHARLES EDWARD, A.C.A. (W. Claridge & Co.), 53, Well Street, Bradford, Practising Accountant.

CUNNINGHAM, JOHN DRYDEN (George Mackeurtan, Son and Crosoer), 376, Smith Street, Durban, S. Africa, Practising Accountant.

FRASER, WILLIAM ROBERT (George Mackeurtan, Son and Crosoer), 376, Smith Street, Durban, S. Africa, Practising Accountant.

GREGSON, RICHARD, Borough Treasurer, Town Hall, Chorley.

GROSVENOR, VERNON WILLIAM, 113, Colmore Row, Birmingham, Practising Accountant.

GURNEY, WILLIAM BRODIE, London and Lancashire House, 148, St. George's Street, Cape Town, S. Africa, Practising Accountant.

HACKING, HENRY, City Treasurer, The Guildhall, Worcester.

HAY, ROBERT, Chief Accountant, Northumberland County Council, The Moothall, Newcastle-on-Tyne.

HILL, EDWIN GOODE, Borough Accountant of Finsbury, Finsbury Town Hall, London, E.C.1.

JOHNSON, HENRY ERNEST (J. E. Denney, Bogle & Co.), 205-6, Finsbury Pavement House, London, E.C.2, Practising Accountant.

KELLY, FRANCIS NOEL (W. A. Deevy & Co.), 29, Barronstrand Street, Waterford, Practising Accountant.

KING, FRANCIS WILLIAM ERNEST, 47, Great Russell Street, London, W.C.1, Practising Accountant.

KNIGHT, SIDNEY ROBERT, 1, Goodmayes Road, Goodmayes, Essex, Practising Accountant.

MICHAEL, HAROLD REDVERS, A.C.A. (J. E. Denney, Bogle & Co.), 205-6, Finsbury Pavement House, London, E.C.2, Practising Accountant.

SANDERSON, BENJAMIN FRANK, County Accountant, Holland (Lincs.) County Council, County Hall, Boston, Lincs.

SARKAR, NARENDRANATH, M.A., 17, Mangoe Lane, Calcutta, India, Practising Accountant.

SCOTT-MOORE, JOSEPH, Officer-in-Charge Hospital Finance Division, London County Council, London, S.E.1.

THRESHER, FREDERICK JAMES (Deane & Thresher), Barclays Bank Buildings, St. Andrew's Street, Bloemfontein, S. Africa, Practising Accountant.

WALKER, WILLIAM, 13, East Parade, Leeds, Practising Accountant.

WATSON, JOHN, County Accountant, Cumberland County Council, The Courts, Carlisle.

WILSON, HUGH ALEXANDER ROBERT JAMES, F.C.A. (Allen, Wilson, Bigg & Co.), Pomeroy House, 28A, Basinghall Street, London, E.C.2, Practising Accountant.

WOOD, ADAM STANLEY, Treasurer and Accountant, Hebburn Urban District Council, Hebburn, Co. Durham.

ASSOCIATES.

BAKER, GEORGE CULROSS, Clerk to E. B. Griffiths & Co., 152, Lord Street, Southport.

BRAIN, STANLEY LIST, Clerk to E. J. Williams & Co., Exchange Buildings, 14, Lowther Street, Carlisle.

BROWNE, PHILIP DAVID, Clerk to Richard Leyshon & Co., 128-9, Bute Street, Cardiff.

DAVIES-HIGGINS, GEORGE HODGSON CHARLES, Clerk to A. Messik, 124-127, Minories, London, E.C.3.

DENNEY, GEORGE RAWLING, Clerk to Peat, Marwick, Mitchell & Co., Royal Exchange, Middlesbrough.

EWAN, ROBERT WILSON, Clerk to Martin, Farlow & Co., 34 and 36, Gresham Street, London, E.C.2.

FOGGO, ARTHUR RICHARD, Clerk to Beatton, Hewson and Co., 127-130, Moorgate Station Chambers, London, E.C.2.

FROST, WILLIAM ROYCE, Clerk to Edw. Judson Mills and Co., 32, Fleet Street, Torquay.

HAIR, JOHN WILLIAM, Clerk to Henry Chapman, Son and Co., Barrington Street, South Shields.

HALLAM, HERBERT FREDERICK, Clerk to Alban & Lamb, Central Chambers, Newport, Mon.

KYRKE, ARNOLD GEORGE, Clerk to M. B. Crompton, 10, Warwick Row, Coventry.

LEIVESLEY, SIDNEY HERBERT, Clerk to F. Roberts & Co., 15, Guildhall Road, Northampton.

LITTLE, IVAN, Clerk to D. W. H. Phipp, 15, Park Row, Nottingham.

MACKRILL, EDWARD THACKER, Clerk to Keens, Shay, Keens & Co., Bilbao House, New Broad Street, London, E.C.2.

MARCHANT, BURFIELD GLENDENNING, A.C.A. (Priest, Marchant & Co.), 3, St. Brides House, Salisbury Square, London, E.C.4, Practising Accountant.

MARPLES, ALFRED ERNEST, Clerk to Grundy, Middleton and Co., 40, Brazennose Street, Manchester.

MULLER, LEONARD JONES, Clerk to Alban & Lamb, 11, Pembroke Terrace, Cardiff.

PARKER, TERENCE NORRINGTON, Clerk to R. G. Sidford, Cecil Chambers, 76, Strand, London, W.C.2.

SAUNDERS, ARTHUR THOMAS, Clerk to Spicer & Pegler, 19, Fenchurch Street, London, E.C.3.

STEVENSON, ERIC DALTON, Clerk to Herbert E. Harwood, 73 and 75, Albion Street, Leeds.

TARPLEY, FRED NEVILLE, County Acountant's Department, County Hall, Northampton.

TRANTER, WILLIAM NEVILLE, Clerk to Johnstone, Davies and Moulder, 13, Church Street, Kidderminster.

WASS, FRANK (Fletcher Hibbert & Co.), Lancaster House, Doncaster, Practising Accountant.

WHITE, WILFRID HENTON, Borough Treasurer's Department, Church Street, Folkestone.

WHITMARSH, GERALD EDWARD LEAMAN, Clerk to Luxon, West & Co., 2, Courtenay Street, Plymouth.

WYATT-JONES, RICHARD ARTHUR, Clerk to P. S. Ross and Sons, 1625, Royal Bank Building, Montreal.

Registration of Accountants.

Society's Evidence Before Departmental Committee.

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The Committee was appointed by the Board of Trade to consider and report whether it is desirable to restrict the practice of the profession of accountancy to persons whose names would be inscribed in a register established by law and, if so, to report on the method by which such register should be established and controlled.

On Friday, March 28th, the Evidence of the Society of Incorporated Accountants and Auditors was heard.

There were present :—The Right Honourable Viscount Goschen, G.C.S.I., G.C.I.E., C.B.E. (Chairman), Mr. Harold Bellman, M.B.E., Mr. F. H. E. Branson, Mr. J. Walker Clark, C.B.E., J.P., Mr. F. E. Warbreck Howell, Mr. G. J. Scott, J.P., Mr. John Scurr, M.P., Mr. J. J. Wills, and Mr. F. A. Griffiths, M.C. (Secretary).

On behalf of the Society there were called :—Sir James Martin, J.P. (Past President), Mr. Henry Morgan (President), Mr. C. Hewetson Nelson, J.P. (Past President, Chairman of Board of Examiners), Mr. R. Wilson Bartlett, J.P. (Member of the Council).

The Committee had before them the following Memoranda submitted by the Society of Incorporated Accountants and Auditors :—

MEMORANDUM No. 4.

THE HISTORY, POLICY AND MEMBERSHIP OF THE SOCIETY OF INCORPORATED ACCOUNTANTS AND AUDITORS.

1. The Society of Incorporated Accountants and Auditors was incorporated in December, 1885, as "The Society of Accountants and Auditors," the word "Limited" being omitted after the title by licence of the Board of Trade. The aims and objects of the Society are set forth in its Memorandum of Association, the principal being :—

> "To provide a central organisation for Accountants and Auditors, both men and women, and generally to do all such things as from time to time may be necessary to elevate the status and procure the advancement of the interests of the profession."

2. In the year 1886, the Society recommended its members to adopt as their professional designation the term "Incorporated Accountant." In the year 1907 the Society, in an action against one Goodway and the London Association of Accountants Limited, claimed an injunction in the High Court of Justice, Chancery Division, to restrain the defendants from using the designation "Incorporated Accountant." In granting an injunction, the Court held that the designation "Incorporated Accountant" denoted membership, not of any society whatever of accountants which was incorporated, but membership of the definite incorporated society which, by its tests and examinations, and by its rules and requirements as to qualification, conferred on its members a status different from that of other members of the profession who had not the same qualification. In coming to that conclusion, the Court further held that the designation "Incorporated Accountant" did mean a member of the Society, and did confer on the members the privilege of being looked on, by persons who had dealing with accountants, as holding a certain definite status indicating reliability and integrity.

This is a leading case, and has been used by other professional bodies in the protection of their designations. It was followed on April 17th, 1929, by the Supreme Court of South Africa in an action by the Society of Incorporated Accountants and Auditors and others *v.* Powell.

3. Having regard to the fact that the designation of "Incorporated Accountant" has been used and accepted as denoting membership of the Society for a period of more than 44 years, the Society desires to continue the use of this designation in the event of Parliament setting up a Register of practising accountants.

In 1908, the name of the Society was altered, with the consent of the Board of Trade, to its present title "The Society of Incorporated Accountants and Auditors."

4. The Society of Incorporated Accountants and Auditors on January 1st, 1930, had on its roll 5,225 Members, of whom 1,408 were Fellows, and 3,813 were Associates, and 4 Honorary Members. Of these 2,386 were practising and 2,839 were non-practising. Amongst the non-practising members are those holding appointments as clerks to professional accountants in public practice or as accountants in Government Departments, County Councils, Municipal Corporations, or other Public Bodies.

5. Of the members on the roll on January 1st, 1930, 4,542, or 87 per cent., have passed the Society's Final Examination, and 4 per cent. of the total membership have passed equivalent Examinations of other approved bodies of Accountants. The remainder includes original members of the Society and members elected from other bodies of good professional standing at Home and in the British Dominions. Since the year 1912 no person has been admitted to the membership of the Society without having passed the Society's Examinations, or the examinations of some other approved body of Accountants in Great Britain, Ireland, or in the British Dominions. During the ten years 1920-1929, 5,109 candidates sat for the Final Examination, of whom 56 per cent. passed and 44 per cent. failed.

In addition, 9,888 candidates sat for the Intermediate and/or the Preliminary Examinations. Full details of the Examinations are given in the Schedule to this Memorandum.* On January 1st, 1930, the Society had on its Register 1,586 Articled Clerks and 1,952 other candidates not serving under Articles.

6. It is provided by the Society's Regulations that admission to membership of the Society is only after passing the prescribed Examinations, and candidates must have had definite professional experience before being accepted as such. The service required from candidates may either be under Articles of Clerkship with an Incorporated Accountant in public practice for a period of five years (Graduates of approved Universities three years), or alternatively by service as clerks to public accountants as defined in paragraph 7 (*b*) below. Candidates (22 years of age) having completed six years of such service, may sit for the Intermediate Examination and candidates (25 years of age) having passed the Intermediate and completed nine years of such service, may sit for the Final Examination. These provisions have enabled a number of properly-qualified men and women to be admitted to membership of the Society who were not in a position to serve articles of clerkship. In all cases Candidates must first pass or obtain exemption upon approved educational certificates from the Preliminary Examination.

7. In accordance with the above provisions in paragraph 6, the following classes of candidates are admitted to the Society's membership, subject to satisfactory proof of training, experience and character and to passing the foregoing Examinations :—

(*a*) Articled Clerks—5 years' service (Graduates 3 years).

(*b*) Non-Articled Candidates—

(i) Clerks to Professional Accountants in public practice, (ii) Accountants in Government service, (iii) Clerks to Principal Accountants of Municipal and County Authorities and other Public Bodies, (iv) Accountants engaged in Public Audit work.	9 years' service.

* Appendices E and F.

8. The Society has organised extensive arrangements for Professional Education. There are 20 Branches and District Societies actively operating throughout Great Britain, and 2 in Ireland, to each of which is attached a Students' Section. The Incorporated Accountants' Students' Society of London comprises about 1,000 members. Candidates upon being accepted for the Society's Examinations are required to become members of one of these Students' Sections.

9. The organisation of Incorporated Accountants has extended to the British Dominions, where representative Committees of Incorporated Accountants, working in close relation with the Council in London, have been established. Members overseas may retain Articled Clerks, and, where practicable, examinations are conducted in the Dominions under the charge of the representative Committees. A number of overseas candidates also present themselves in London for the Examinations. As a result of the Society's policy, the diploma of Incorporated Accountant is accepted all over the world, both for professional purposes and for obtaining membership of recognised Dominion and Foreign Bodies of Accountants.

10. A high standard of professional conduct is demanded of the members and is enforced, when necessary, by a Disciplinary Committee. No person is allowed to remain on the roll of the Society who is a bankrupt, or who pays or proposes to pay any composition to his creditors, or who takes, or attempts to take, the benefit of any statutory provision for arrangement with his creditors. The Disciplinary Committee meets as occasion requires to hear any charges of professional misconduct and, within certain limits, adjudicates thereon, or makes a report to be laid before the Council, which can exercise the power of suspension or expulsion.

11. Full particulars of the regulations and membership of the Society are to be found in the Incorporated Accountants' Year Book for 1930.

MEMORANDUM No. 5.

THE SOCIETY OF INCORPORATED ACCOUNTANTS AND AUDITORS.

THE CASE FOR REGISTRATION.

1. Accountancy has been definitely established in England and Wales as a profession for 50 years, and in Scotland for a longer period.

2. The importance of the work of the profession and its comprehensiveness have increased to an almost phenomenal extent since the profession was founded. Legislation has definitely increased the responsibilities of its members, and the more highly organised and complicated economic life of the country has demanded increasingly the services of professional accountants in the spheres of industry, commerce and finance. This tendency is likely to increase as years go on.

3. In five particular directions alone, the responsibilities which legislation has placed upon members of the profession will be readily appreciated.

(a) *In regard to Companies.*—The duties of Auditors were made considerably more onerous by the Companies Act of 1929.

(b) *In regard to Direct Taxation.*—The adjustment of the claims upon Taxpayers with the Inland Revenue is a duty which demands the skilled assistance of a professional accountant. This is a substantial service which the profession of accountancy renders to the public and to the Inland Revenue.

(c) *In regard to the Audit of the Accounts of Municipal Corporations.*—The legislature is continually adding to the number of Corporation Acts which appoint professional accountants in substitution for, or in addition to, elective auditors. The number of such Acts is 74. The necessity for this legislative tendency was unanimously recognised by a Joint Committee of both Houses of Parliament so far back as the year 1903.

(d) *The Administration of Trust Estates.*—The responsibilities of accountants, who audit or keep Trust Accounts, have been materially increased by the recent Trustee Act of 1925 and the Law of Property Act; and in Scotland by the Trust Act of 1921.

(e) *In Insolvency Matters.*—As Trustees in Bankruptcy or under Deeds of Assignment, or as Liquidators or Receivers.

4. There is an increasing tendency to retain professional accountants as financial advisers to business undertakings. In addition to large undertakings, the smaller manufacturers and traders, who form a substantial part of the business community, are finding increasing need for the services of professional accountants.

5. The Accountancy Profession has become a repository for a large amount of collective experience and information which, from time to time, the profession, upon request, has placed at the service of the Government, by evidence before Royal Commissions and Departmental Committees, on questions of Commercial Law, Company Practice, Income Tax and National Finance.

6. Of those persons practising in the Accountancy Profession a substantial number are members of recognised professional bodies, admission to which is only after professional service and passing examinations of a high standard. The members of the bodies in question are subject to stringent disciplinary control and conform to a well-recognised though largely unwritten code of professional conduct and etiquette.

The usefulness of a profession depends upon the skill of its members, and the esteem in which those members are regarded the the Public. This position has been made possible by a high standard of qualification and professional conduct.

The Profession of Accountancy has not received the protection of Parliament by special legislation. The Professions of Law, Medicine and Dentistry, as a matter of public protection, have been so regulated by special Acts, and it is submitted by the Society of Incorporated Accountants and Auditors that similar legislation, *mutatis mutandis*, should be passed to regulate and control the profession of Accountancy.

7. At the present time any person, be his qualifications what they may, can commence and continue in public practice as an Accountant without compliance with any standard of professional skill and subject to no disciplinary control whatsoever.

Such persons may use means of an unprofessional character to obtain professional business. Schedule I attached hereto gives particulars of a number of cases of unprofessional methods and of instances which show that the Public have been seriously prejudiced.* It will be readily seen that in these circumstances the public have no adequate assurance whatever as to the qualifications or character of those to whom they may entrust their most intimate and responsible affairs.

A member of the Institute of Chartered Accountants or of the Society of Incorporated Accountants and Auditors who has been struck off the roll for unprofessional or dishonourable conduct, may continue to practise as a public accountant.

8. Many persons who start practice without adequate qualification do so under the guise of, or in connection with, so-called trade protection or mercantile agencies and income tax agencies, and (*inter alia*) it is to eliminate these features, which are not in the public interest, that registration is sought.

9. There is another serious feature, namely, in regard to the multiplication of new bodies of accountants. In recent years no less than seven different bodies have been

* Appendix G.

formed, all of which in varying degrees have advertised and circularised for members. The anomaly is that members of these bodies, being members of any body of accountants which is incorporated, are entitled to appear before Income Tax Commissioners in accordance with the terms of Section 137 of the Income Tax Act, 1918. In consequence, at least one such body prints a note in red ink at the head of its prospectus, reminding possible recruits that membership will entitle them to take advantage of this Section of the Act.

10. The public mind is considerably confused as to who is, and who is not, a properly qualified accountant. Any person can set up in practice, without any control, and bodies of accountants can be multiplied by the process of registration under the Companies Act. It is clear that since 1911, when the last Professional Accountants' Bill was before the House of Lords, the position in this respect has become materially worse, and under present conditions the evil is likely to be accentuated.

11. If the Accountancy Profession is to provide the best accountancy service for the public and the country, it is essential that it should be regulated by Statute. This would involve bringing under statutory control at a given date all persons who were *bona fide* carrying on public practice as accountants, and, after the expiration of a transitional period, admission to the register of professional accountants should be subject to specified conditions as to Examinations and professional experience. All those upon the Register would be subject to disciplinary control.

12. The desirability, if not the necessity, of Registration for the Profession of Accountancy has been recognised for many years. Numerous attempts have been made on previous occasions to pass Registration Bills.

The Institute of Chartered Accountants and the Society of Incorporated Accountants and Auditors collaborated in presenting the Professional Accountants Bill, 1911, which was the most comprehensive of the several Bills introduced during the last forty years. This Bill passed its second reading in the House of Lords, and it was only lack of Parliamentary time which prevented the measure from becoming Law. During the second reading debate in the House of Lords, in March, 1911, Lord Alverstone said :—" There is a great necessity for the Bill. The use of the word 'accountant' is taken by people without qualifications." Lord Desborough said :—" The London Chamber of Commerce is anxious that there should be a register of accountants in the interests of the public." The Marquis of Salisbury also supported the second reading.

In most of the Provinces in the Union of South Africa, and in New Zealand, the profession of Accountancy is registered by Statute and in the Irish Free State the promotion of a Registration Bill by the Government has reached an advanced stage.

On April 16th, 1929, Sir Thomas Robinson, speaking as Chairman of the Local Legislation Committee of the House of Commons, epitomised the case for Registration, when he said :—" I am desired to say that, in the opinion of the Committee, sound, reliable accountancy is of paramount importance to industry, commerce, and the investing public, and with a view to establishing an efficient accounting public service, we consider the time is opportune for establishing a register of properly qualified persons, on the lines of the law and the medical service, and we suggest to the accounting world that they should seriously consider the matter of the register, the training and the qualifications, as the Committee feel that all qualified persons should have the opportunity of giving public service."

13. On September 30th, 1927, in a speech delivered during the Autumnal Conference of the Society of Incorporated Accountants and Auditors, Lord Hewart, of Bury, said :—

> " I suspect that even now, for reasons not easy to understand, the great profession of accountancy has not a register from which, for good reasons, a man's name could be removed. To say the least, it is a pity that the proud name of Accountant should be so much at the mercy of the undeserving. How unfortunate it would be if every person who solicited anything from anybody were entitled to the name of Solicitor, or if everybody who called himself to the saloon bar were to describe himself as a barrister. Yet, apparently, all who profess to count, whether their sums come right or not, can call themselves accountants. It seems to me a pity that, as the work of the accountant has become more complex and more responsible, and demands an increasingly high standard of professional integrity, this should be so."

14. A note on the Registration of Scot'ish Law Agents in 1873 is appended.*

MEMORANDUM No. 6.

THE SOCIETY OF INCORPORATED ACCOUNTANTS AND AUDITORS.

DRAFT OF PROFESSIONAL ACCOUNTANTS' BILL.

The Draft Bill† which the Society submits to the Departmental Committee is based upon the Professional Accountants' Bill of 1911, which was then prepared in collaboration between the Institute of Chartered Accountants and the Society of Incorporated Accountants and Auditors, with such amendments and additions as now appear to this Society to be necessary.

The object of this Bill is to organise the profession of accountant on the same lines as the professions of solicitor, surgeon, or physician, veterinary surgeon, and dentist, by forming registers of professional accountants and prohibiting any unregistered person from taking or using any name, title, &c., stating or implying that he is a professional accountant, and from holding himself out to the public as ready to undertake for pay the business of a professional accountant.

All present and future members of the Institute of Chartered Accountants in England and Wales, which was incorporated by Royal Charter in 1880, the Society of Incorporated Accountants and Auditors, which was incorporated under Section 23 of the Companies Act, 1867, in the year 1885, the Society of Accountants in Edinburgh, which was incorporated by Royal Charter in 1854, the Institute of Accountants and Actuaries in Glasgow, which was incorporated by Royal Charter in 1855, the Society of Accountants in Aberdeen, which was incorporated by Royal Charter in 1867, and the members of certain Dominion or Colonial institutes or societies who give notice of their intention to practise in any part of Great Britain and all persons who, though not members of any of the said institutes or societies, were in practice in any part of Great Britain at the passing of the Act will be entitled to be registered. Persons not being entitled as aforesaid but who serve five years' articles or who shall have been clerks to professional accountants for nine years and who pass the prescribed examinations under the Act will also be entitled to be registered.

There will be two professional accountants register committees, one for England and Wales and one for Scotland, each with power to make rules respecting registration, and generally for the execution of the provisions of the Act and with disciplinary powers for the protection of the public.

In case any register committee be at any time dissatisfied with the standard of proficiency required at the examination for admission to membership of any of the said English or Scottish institutes or societies, such register committee may make representations to the Privy Council to that effect, and the Privy Council will have power to require that such standard shall be changed.

In case of refusal of any register committee to register an applicant, and in case of the removal of a name from

* Appendix H.
† Appendix J.

the register, there will be an appeal to the High Court in England or the Court of Session in Scotland, as the case may be.

Sir James Martin, J.P., Examined.

(*Chairman*): Would you like to make any statement to the Committee to add to the evidence which you have submitted to us in writing?—My Lord, will you allow me just in the first place to put before the Committee my qualifications for giving evidence on this very important matter. I am sorry to say that it is 48 years ago since I commenced to practice in the City of London and, in conjunction with one of my partners, founded my present firm. In the year 1885 I was a Member of the Committee which founded the Society of Incorporated Accountants and Auditors; and I regret to say that I am the only surviving member of that Committee in London, although, happily, I have two colleagues in the Provinces. From 1886 down to the end of the war, in conjunction with my duties as a practising accountant, I carried on the duties of Secretary to this Society. In that capacity I was engaged on all the Bills which have been introduced into either House of Parliament dealing with the Profession of Accountancy and any proposals for its registration. In addition to that, in the year 1904, it was upon my instructions, on behalf of the Society, that a Bill was negotiated in the Transvaal, soon after the South African War, which became an Act, which registered Accountants in the Province of South Africa. That Bill was subsequently followed by another Bill, which registered accountants in the Province of Natal, as it is now called. I have not asked to be set out in the Memoranda any statement of qualifications which I hold, either in the profession or outside of it, because they can be found in the usual books of reference. I think I have said enough to introduce myself to the Members of the Committee.

Now I would ask your kind permission to make two statements in regard to matters which could not be included in the general Memoranda put in on behalf of the Society, on which all the witnesses are agreed. We rather felt that we would save the Committee trouble if we could show that there are certain principles upon which we are all agreed, though in points of detail there might be some disagreement. We thought you would get a more accurate view of the objects and aspirations of the Society in regard to this matter in that way. The first matter to which I want to draw the attention of the Committee is in regard to the Institute of Chartered Accountants in England and Wales, a body with which my Society is in friendly communication, but owing to certain circumstances, which I do not propose to go into, there has not been an interchange of the evidence which has been placed before this Committee. Therefore, I am in total ignorance of the statements of the witnesses who appeared before you yesterday for the Institute. My attention, however, has been drawn to a Resolution of the Council of the Institute, passed on the 5th March last, which is contained in an official report of the proceedings of the Council on page 340 of *The Accountant* of the 15th March last. The terms of this Resolution are:—"Resolved: That this Council, after careful consideration of the subject, are of opinion that there has been no public demand for registration of accountants and that such registration would not be in the public interest. If, however, registration of practising accountants is enforced by the Legislature, this Council are of opinion that the Members of the Institute, a body incorporated by Royal Charter, should be excluded from the provisions of any such legislation and that the separate entity of the Institute with the rights, powers, examinations and other privileges which are assigned to it by the Royal Charter, should be preserved." I am now desired by the President of the Society and the other Witnesses who appear with me before your Committee to say that any proposed legislation which excludes from its provisions the Members of the Institute of Chartered Accountants in England and Wales would not meet with the voluntary acceptance of the members of the Society of Incorporated Accountants and Auditors.

The other statement which I ask leave to place before the Committee is in relation to certain proceedings in the Local Legislation Committee of the House of Commons on the Cardiff Corporation Bill. On Tuesday, March 18th, Mr. Wrottesley, K.C., appeared before the Committee and made the following statement on behalf of the Institute of Chartered Accountants and the Society of Incorporated Accountants and Auditors. I would like to say that we were appearing jointly there. This is Mr. Wrottesley's statement, and I have got it exactly from the Shorthand Notes:—"This is the point I desire to maintain before the Committee, that the decision was given over our heads last Session in the Chester Bill. I read it word for word and it will be quite familiar to the Committee. Upon that the Institute of Chartered Accountants and the Society of Incorporated Accountants and Auditors approached the Board of Trade. The Board of Trade have actually set up a Departmental Committee to deal with the very matter which this Committee said was to be raised. The first meeting of that Committee to decide upon this matter, which this Committee said it was desirable to raise, takes place on the 27th of this month. That Committee will hear my friend's clients and all other bodies who are interested in this question of registration of public practising accountants. In courtesy to the Committee I am explaining why we are taking up the attitude which we are taking up, and that is that with that Committee sitting next week or the week afterwards we are not proposing to indulge in such a contest as this. I do not know whether the Committee regard the part which we took in previous contests to have been of assistance or not. But we do not think it right or proper with that Committee proposing to sit next week, to take part in this contest here or to canvass the suitability of this Society or any other of the ten or twelve different bodies."

On Wednesday, March 19th, the Chairman, after commending the action of the Petitioners against the Audit Clause (The London Association of Accountants), who, he said, "got into touch by letter with the other two organisations," made the following observations:—

"The only thing that seems to have emerged from these letters is the setting up of this Departmental Committee which was referred to yesterday. I have a copy of the names of that Committee from the Board of Trade this morning, so that, taking all the circumstances into consideration, the Committee is reserving its decision until to-morrow morning."

On Thursday, March 20th, the Chairman said "the Committee have decided to give Clause 154 (the marginal note of which is the Appointment of Auditors) with the addition of the words "The London Association of Accountants Limited."

It appears to myself and the other witnesses who appear here for the Society of Incorporated Accountants and Auditors that the Local Legislation Committee as now constituted is endeavouring to pre-judge the very issue which the Committee of last year said should be gone into and which is referred to you by the President of the Board of Trade.

170. (*Chairman*): In paragraph 2 of your second Memorandum, you say: "The importance of the work of the profession and its comprehensiveness have increased to an almost phenomenal extent since the profession was founded. Legislation has definitely increased the responsibilities of its members, and the more highly organised and complicated economic life of the country has demanded increasingly the services of professional accountants in the spheres of industry, commerce and finance." Do you attach emphasis to the words "professional accountants" there? What I mean is, are you suggesting that there is a demand for the services of accountants with high qualifications, and not for those who are not well qualified?—I can say definitely that there is an increasing demand for the services of those possessing

recognised qualifications, not only in regard to what is termed public practice, but in regard to the appointment of accountants requiring definite knowledge and skill.

171. At the present moment, is the supply of that class of accountants such as belong to the senior societies like yours sufficient to meet the demands of the public?—It is perfectly adequate. I am sorry to say that just at the present time it is more than adequate; but I hope that the depression will pass away, and that there will be a big expansion which will reflect itself in the number of men required.

172. So that the effect of your answer would be that as regards members of those societies which require good qualifications, there is a sufficient number of those men to meet the demand at the present moment?—Yes; my answer to that is in the affirmative.

173. In paragraph 4 you say: "There is an increasing tendency to retain professional accountants as financial advisers to business undertakings," and "the smaller manufacturers and traders, who form a substantial part of the business community, are finding increasing need for the services of professional accountants." Are these small manufacturers and traders requiring professional accountants as advisers or for ordinary accounting purposes?—The general practice of small manufacturers and traders is to call in their auditors. In larger concerns more definite arrangements are made; but it is the practice of the smaller manufacturers and traders to consult their auditors as business advisers.

174. What class would they be, in the case of very small traders? Are not there a certain number of quite small traders who have their books added up and looked into by someone who can do it for them?—Yes. I think tradesmen very often call in somebody in the locality—very often it is done like that. Anyone carrying on a business of any size whatever—I do not mean by that a very large business, but any firm or person who has got a business of any value—as a rule calls in some recognised accountant. It is quite an increasing practice for a trader to consult with his auditor on all financial matters in regard to his business.

175. It has been suggested that registration is necessary in order to protect the smaller man who may go and ask somebody who is not fully qualified to audit his accounts. Is there a danger of that; or does the trader not make some inquiries as to the kind of qualification that the man he is going to ask has, and whether he is competent to do the work?—I am afraid it is rather appalling the way the people rush into things without making inquiries. My personal experience, of course, is not so great in the smaller Provincial Towns, as I have always practised in London. But from the information which I have received over a considerable number of years, and which I was in a position to receive and go into, I am quite certain that there are a number of people who hold themselves out to be accountants who are not worthy of any public confidence whatever.

176. And who get employment?—Who get employment. Very often they get employment in regard to Income Tax matters, which is a matter of considerable importance to the State.

177. Taking paragraph 6, I presume that by the sentence "The Profession of accountancy has not received the protection of Parliament by special legislation," you are suggesting that it needs that protection in order that the public may realise the skill of its members. That sentence and the preceding statements in the paragraph hang together?—That is so. It is very unfortunate, but if we had only had sufficient force behind us a few years ago, we should have had the profession established on the same lines as the principal learned professions; and this Committee would not have been troubled to go into the question to-day.

178. You refer to the professions of law, medicine and dentistry?—Yes.

179. I presume when they were first registered, the position was not exactly the same as it is with regard to the profession of accountancy at the present moment?—Well, I think with regard to dentistry things were pretty bad. Although I am getting on in years, I am afraid I cannot say very much in regard to what was the position of the others.

180. At the present moment, there are big Societies with well-known qualifications, whose members are recognised in the accountancy world?—That is so.

181. You would not say that law, medicine and dentistry stand in exactly the same position as accountancy? Take dentistry. It is more easy to define a dentist, is not it, than an accountant? A dentist deals with teeth?—Yes.

182. An accountant has a very large and varied area?—I do see the difficulty. There are so many people in the world who call themselves accountants. If you take any big trading organisation in the City of London, there is a chief accountant, and then you will find accountants in charge of something else. When we are asking for registration, we are asking that there should be included on that register all persons who hold themselves out to practice the profession of a public accountant for remuneration. We are not seeking to monopolise the word "accountant" in so far as it related to any internal organisation. What we are trying to do is to protect the public in regard to the man who sets up a practice and asks the public to trust him and confide their work to him.

183. Are you suggesting that the register should contain only those who are in practice?—That is so.

184. To take your own Society, you have a membership of 5,225?—Yes.

185. Of whom 2,386 are in practice?—Yes.

186. Do you suggest that the others who are not in practice would not be on the register?—They would not be on the register. Our proposal is to set up a register of practising accountants; and then to prescribe the qualifications for going on to that register. We should ask to protect those members, the others who are not in practice, so as to enable them, when properly qualified, to go upon the register; but we only propose to register people who are in practice.

187. Taking your own Society, I presume there would be a large number of members who are not in practice who, from the class of work they are doing, would be equally qualified as accountants?—I agree. I think that, in the draft Bill,* which we have annexed to our evidence, we have endeavoured to provide for that point. Section 6 you will see refers to persons entitled to be registered as professional accountants in England and Wales. In sub-section 1 (*a*), (*b*) and (*c*) will be found provision for the registering of persons who are chartered accountants, incorporated accountants, and persons who are neither the one nor the other. It sets out the terms of registration. We annexed this Bill because a very great deal of time was spent upon it. It actually passed the House of Lords and received very considerable commendation at the time from the Lord Chief Justice, the Lord Chancellor and others. It went down to the House of Commons and it was taken up by the Government of the day, when the present Viscount Buxton was at the head of the Board of Trade, but it failed to get passed into law because of want of time to push it through, as the Government had more important things in their opinion to attend to.

188. The fact that a man's name was on the register would give him a certain position, naturally?—Exactly.

189. That is its aim?—Yes.

190. Then, according to your suggestion, you would have a man of equal qualifications, or perhaps better qualifications, who would not be on the register?—I

* Appendix J.

think I would say yes; there might be some excellent men who were not on the register.

191. Men who are working for firms?—Men holding appointments. We have come to the day when men holding appointments are commanding salaries which are probably in excess of anything they can earn by going into public practice. I think that applies to all professions; but their position would be safeguarded under our proposals.

192. As to paragraph 7, are there many complaints from the public as regards unqualified accountants? You have put in certain information on that point?—There is a selection of cases which came before us.

193. From various parts?—From various parts. They were taken from actual cases.

194. These are selected cases which have been put forward; but would there be a considerable number of such cases?—Yes, they are rather bad cases, which would perhaps hardly fail to be included in evidence like this. Many others could be given. One of the troubles of the time is the large number of people who call themselves Income Tax Experts, Income Tax Associations, and so on. Some of them, I want to be perfectly just, are quite reputable; but there is very great danger in others getting hold of people in regard to repayment claims.

195. Do you suggest that some amendment is needed in the Income Tax Act of 1918? I see you deal with it in paragraph 9. Are small societies springing up in order to meet the case under the Act?—I cannot speak strongly enough personally against that provision in the Income Tax Acts. It was unfortunate. A member of our profession in the House of Commons suggested that some provision should be put into the Act; and Sir Robert Horne had the following words put in: "member of an incorporated society of accountants"; and it has been held to mean a member of any society incorporated under the Companies' Acts. So that all you have to do is to get a name which will pass the scrutiny of the Registrar of Companies, and form a small company limited by guarantee, and get people to join it; and the Inland Revenue cannot refuse to allow members of it to appear before them. I do not want to make an attack on the Inland Revenue—they do the best they can in the difficult position in which that Act has placed them.

196. (*Mr. Walker Clark*): Surely it is only the right to appear before the Commissioners?—That is a very valuable privilege—I regard it as such.

197. That may be so, but they cannot compel the authorities, either the Commissioners or the Inspector, to receive the accounts which they present?—Well, I think if you give a man a right to appear before a public body in this country——

198. It implies something?—It implies something—that he is a person worthy of credence, and it means that the body before whom he appears has to take a very strong course not to hear him.

199. He is allowed to appear, but that is quite a different matter from submitting accounts?—I submit with all respect if he is allowed to be heard and he is not a qualified man, it is very much to the detriment of the client who has to pay him. (*Mr. Walker Clark*): That is so.

200. (*Chairman*): With regard to paragraph 8, it is to eliminate those features that registration is sought? Supposing registration was granted, it would take some time before you levelled up, so to speak?—Yes, I am afraid it would, because Parliament must recognise the right of any man who is carrying on business at the time a particular Act is passed, but we have a proposal to meet that. Certain statements will have to be made by a person seeking registration, and they will be scrutinised by a Committee, but any Committee appointed will have to act judicially in regard to the persons it puts on the Register. You cannot deprive a man of his living whatever it may be.

201. As to paragraph 12, has there been any public demand for registration? You say, "The desirability has been recognised for many years"?—The question of a public demand to-day is a very difficult question to answer. I do not find that the public interest themselves in anything beyond two or three different subjects which may be worked up by one of the well-known organs of the Press.

202. But if the public suffer from the want of it, would not there be a public demand?—Well, if I may use the word, a popular demand, I should say no, because the general population do not concern themselves at all about this matter. I might add that public bodies and others who know about this subject do take an interest in it.

203. With regard to the end of that paragraph—you have already spoken of the Local Legislation Committee—have you any alternative in your mind, except registration, to deal with the point?—No, I think I have to agree very largely with the statement of Sir Thomas Robinson, and I think it was also the opinion of Sir Walter Raine. I have not personally been before the present Chairman so that I cannot say anything with regard to his views. The former Chairman appeared to feel that there was no alternative between putting the names of one body or another into the Bill, and getting Parliament to lay down a qualification for the person whom it is sought to place in the position of auditor.

204. Would registration lead the public to think that there was an equality of skill on the part of those registered?—I should hope not, because if it did I am afraid it would nullify a very great deal of the work we have done over a great number of years. I think we have already stated in our evidence we do not seek any legislation which will take away our designation which has stood the test of investigation for a long number of years. I think that point might be met, or could be met.

205. Do you think it is a point that probably from your point of view would have to be met?—Yes, I think it is a matter that wants watching, certainly.

206. Supposing you had registration, your suggestion is that only practising accountants should be put on the Register?—That is so.

207. Would those who had been doing the kind of work that these men have been doing and were not put on the Register be precluded from doing it?—Yes.

208. Bank clerks and other people would be precluded from doing that work?—They would not be able to sign their names as auditors or accountants on any document which would be issued.

209. That is a restriction?—That is a restriction.

210. There would be a large class of men who would not be able to do the work they had been doing?—No.

211. Take insurance companies and shipping companies whose work is done by their staff?—It is certainly not our intention to interfere at all with private employment.

212. Not to interfere with it; but if the work is restricted to men on the Register it would interfere with it, would not it?—Men who hold themselves out to the public as ready to undertake the business of an accountant every day are the people we are considering. There must be a holding out to the public. I have in my mind a large group of companies of which I am the chairman. We have a professional audit, but we maintain an internal audit all the year round by our own staff. Some of the men at the head of that staff are qualified men, but there are a number of men who are not qualified, but they are competent to do this particular sort of work. This work is all done internally and they are paid salaries and appear as ordinary persons in the employment of the company. We do not propose to interfere with anything of that sort. Might we go to the case of the big banks and insurance companies—they all maintain their internal audits.

213. You think it would not cause inconvenience or cause alarm, though I hardly like to use that word, to the public, if only practising accountants were on the

Register and the accounts of big companies were prepared and signed by men who were not on the Register? Your Register, as far as the public are concerned, is to show the public that there is a certain qualification and standard?—Yes.

214. The public might think that men outside that standard were of a lesser standard?—Men outside the standard of those on the Register, if I understand your question aright, could not do anything at all in so far as the public are concerned.

215. But they might sign the accounts of some shipping or insurance company?—The position in practice to-day is you get the accounts of a large concern and they are often signed "John Jones, Chief Accountant."

216. Yes, but my point is that there is not a Register at the present moment?—No; but then we do not propose to interfere with "John Jones" signing as the chief accountant of a company. He is an internal officer acting under the authority of the directors of that company.

217. My point was, if you have a Register and you say that the people on the Register have certain qualifications, do not you, therefore, to a certain extent say to the public that everybody outside the Register has not got those qualifications?—I do not think the man without the qualification will stand in the same position as the man who has got it, but that is coming about to-day in another way. These chief positions are being very much filled by men with a certain qualification. What we are trying to do is this—the Committee and ourselves, if I may venture to say so, are trying to reach the same end—is there any way by which we can protect the public?

218. Your suggestion is a limited form of registration?—My suggestion would go as far as this, that an unscrupulous person will not without the risk of prosecution be able to take money from the public for the performance of work he is not qualified to do.

219. (*Mr. Bellman*): The Chairman has referred to paragraph 2 of the second Memorandum where you refer to the fact that the economic life of this country "has demanded increasingly the services of professional accountants in the spheres of industry, commerce and finance." Then you go on: "This tendency is likely to increase as years go on." If this assumption is correct, and assuming for the time being that some form of registration will have to be provided, do you agree that it would be better to face the question of registration now rather than have to be meeting it in a few years' time when the number of indifferently qualified accountants or indifferently qualified persons practising as accountants may have considerably increased?—Yes.

220. Then you point out in paragraph 7 that "any person, be his qualifications what they may, can commence and continue in public practice as an accountant without compliance with any standard of professional skill and subject to no disciplinary control whatsoever." From this and from other portions of this Memorandum one may assume, I imagine, that you consider that, although, as you have stated this morning, there appears to be no popular demand for registration, the public interests are really endangered by what I imagine you would describe as the lack of central control?—That is so.

221. Under the provisions of the Building Societies Act of 1894, as you probably know, an auditor of a Building Society has only to be a person who publicly carries on the business of an accountant. This loose and inadequate description would permit a wholly unqualified and unskilled person to vouch the accounts of one of these societies if the society through its members tolerated such an appointment?—Certainly, there is no protection to the public whatever because any man can put up on a doorpost "Public Accountant," and that I think would comply with that Act.

222. Then the Building Societies, which number approximately 1,000 and who have assets to-day of something like £300,000,000, may be said to be the depositories for the savings of the working and middle classes?—Yes.

223. Do you agree, such being the case, that these investors regard the Audit Certificate as the acid test of a Society's proper management?—Well, I wish I could agree with you. I am afraid that some of them are quite neglectful in the matter.

224. You must remember that these depositors and shareholders who are entrusting something like £300,000,000 to these Societies are generally very simple folk. They are not experienced investors?—No.

225. It would be naturally assumed that they do look at the Audit Certificate as something in the nature of hall-marking the accounts?—They do, and I am afraid that, outside the protection which is given them by the Registrar of Building Societies, they have not very much protection in the form of Audit Certificates.

226. While it is generally recognised that the great majority of audits of such societies are conducted either by a chartered or incorporated accountant, I take it you would welcome in the public interest a form of registration which would in time enable a new formula to be employed in the Act, and only properly qualified men permitted to vouch the accounts?—Certainly.

227. (*Mr. Branson*): You have said that the demand for skilled accountancy service is increasing. Have you any evidence that the number of unqualified practitioners is increasing in any way?—I have evidence that a number of societies are being set up which claim that their members are professionally qualified. They are increasing very much. They enrol members and they all say: "We are fully qualified to undertake this, that and the other." That is one of the troubles we have to face to-day.

228. Is not that very largely confined to this income tax point?—No, it is a matter we have had to fight continuously in both Houses of Parliament. I am not alluding to one particular society. I do not want, if I can avoid it, to make an attack on any one particular society, but during the last two years I have been in front of Committees in respect of three societies. In regard to one of them the House of Lords struck their name out of the Bill and ordered them to pay nine-tenths of the costs of the promoters, so that that will give you an idea of what their Lordships' House thought in regard to that one society.

229. For the moment, I was speaking of the man who sets up as an income tax recoverer. Is he increasing?—Yes, there are a very considerable number of people like that. I know of one within a stone's throw of my office—I do not know the man personally—who calls himself So-and-so-so Income Tax Association. Underneath is his name, Mr. A.B.; Mr. A.B. is an undischarged bankrupt and he is the mainspring of that Association.

230. But he still may be an eminently qualified accountant?—That man an eminently qualified accountant?

231. By the knowledge he may have?—He cannot possess either the qualification of the Institute of Chartered Accountants or the Society of Incorporated Accountants, because if a man is insolvent off he goes at once.

232. True, but he may be a perfectly competent accountant, notwithstanding that he is an undischarged bankrupt?—Well, a man may be.

233. It may be pure misfortune, may it not?—A man may be competent, yes. History is always telling us that the question of a man's solvency or insolvency does not affect his competence.

234. That is all I am saying. As I understand it, your society supports registration with the primary object of enabling the public to know that it is getting competent service if it employs a man who calls himself an accountant; is that right?—I can assure the Committee that I did not come here for any other reason than that. There is no question of personal gain. I have had it on my mind for many years and I should like to see the solution.

235. In your draft Bill you suggest that a man may be qualified purely on experience without any examination?—Well, I do not know that we do that. If it is a

case of experience without examination it is because he is in practice.

236. That is what I mean ?—Simply because we cannot do anything else—we must take him for registration. I suppose everybody will admit he has got a right to come on the Register at the beginning. It would not continue—it is only for a limited period.

237. True, but for that period it will put him on the level with a member of your society ?—It will level certain people up—I must admit that.

238. You cannot get away from that ?—I cannot get away from that. It will level certain people up.

239. Has your Society ever endeavoured to arrive at a definition of professional accountant ? Let me put it generally in this way. I see in your draft Bill you say, "'Professional accountant' means any person whose business or occupation is the performance of the functions of a professional or public accountant." I know the difficulty of it and I am asking for your help ?—That is a definition which we got from the Bar. I believe the leading counsel who drafted that for us afterwards became Master of the Rolls. I am afraid I cannot give you anything better.

240. You see the difficulty of it. It says, "an actor is a man who acts."—Yes, I know the difficulty. I am afraid I cannot help you any more. It will be of interest to you to know that that definition was drafted by Mr. Cozens-Hardy, who became afterwards Master of the Rolls.

241. One question on the offences that come up. Taking Schedule I to your second Memorandum* the sort of offences which come before your disciplinary body are very largely offences against advertising, are they not ?—Advertising, and occasionally more serious cases. You get occasionally a case of misappropriation, or something of that sort.

242. A very small percentage ?—Very small. We have six or seven cases a year, but they are mostly the smaller class of offence where the man will be censured or, occasionally, suspended. The number of cases where we recommend the Council to remove a man's name from the Register would be about two a year.

243. Do you mind looking at your Case No. 6. This was a man who had no knowledge of accountancy. He had practised and took the boys on as apprentices. Just omit for the moment the fact that he ultimately received a term of imprisonment ? Apart from that, that man would be qualified for registration, would he not ?—If you omit the question of his conviction—well, do you mind referring me to the clause of the draft Bill which deals with it ?

244. It is Clause 6 (*b*) by which you admit any person not a Member of the Institutes or Societies if within eighteen months he proves to the satisfaction of the Committee that he was in practice as a professional accountant at the passing of the Act ?—May I refer to Clause 11: "Power to refuse registration in certain cases" ?

245. That is if he has been excluded from the membership of a society, or if he has been suspended ?—Would you go on to sub-clause (*b*): "To have been guilty of any act or default discreditable to a professional accountant." He could be charged with any act or default.

246. But I am asking you to forget that he has been in prison ?—It does not say to have been convicted, but "to have been guilty of any act of default discreditable to a professional accountant." He could be charged with any act or default.

247. But the only thing you have against this man is that he has an insufficient knowledge of accountancy ?—No, does not it go further than that. He advertised for youths who wished to learn accountancy and charged then £50 premium for twelve months and he had a dozen youths with him at the same time. It is obvious. If I had a dozen boys in my office for whom I had received £50 apiece, *prima facie* I should be regarded as a very untrustworthy person who hoped only to obtain their money. (*Mr. Branson*): That answers me, I think.

248. (*Chairman*): It does answer the point on the individual case, but it raises the question of the difficulty of cases on the border line as to how you are to find out whether a man is really fit for registration. Suppose he had only got half the number of youths ?—I was hoping that the draft Bill had met that point. I may say that in our own Society, under our regulations, we can bring a man before the Disciplinary Committee if he is charged with any act or conduct discreditable to an accountant either before or after his admission. We put that in for this reason:—A man fills up certain forms. He may not disclose certain things which are vital. You find them out afterwards. He cannot say to us, "That happened before I was admitted." We say, "No, we ought to have been informed of this and we shall go into the question now." I was rather hoping that there was something in the draft Bill which was on all fours with that, but if not, it is a matter which should be provided for. We do not want to put an untrustworthy person on, but I must say this—it would have to be some offence of which the Courts would take notice. You cannot deprive a man of his living, because that is what it amounts to, except on such evidence as would satisfy a Judge of the High Court.

249. (*Mr. Branson*): How do you propose to deal with a man who is a member of your Society and who is the chief accountant or on the accountancy staff of a big concern such as the Asiatic Petroleum Company. I happen to know they have a large number there ? If a man in that position is a Fellow of your Society and he is asked by his employers to give a certificate on the accounts, would you prevent him doing it ?—He would have to apply for registration.

250. But he cannot—he is not practising ?—Well, in that case I think I must say candidly he would not be able to certify—not under this Bill if it became law.

251. I am speaking of facts that I know.—Quite so, I am very glad you put it to me, because I am acquainted with similar people. We have endeavoured to put something before the Committee to be helpful, but we are not arrogant enough to say to the Committee that these proposals of ours must be regarded as in final shape. We only put before the Committee something which we hope will assist the Committee to come to a conclusion.

252. I am only asking you questions which I hope will find a key to a door which is now locked as far as I am able to see ?—Thank you very much. I am very interested to answer if I can.

253. (*Mr. Walker Clark*): You admit women as well as men if they have equal qualifications ?—Yes.

254. Would registration involve a fixed scale of fees and a fixed scale of wages ?—I should say no.

255. It would not affect either ?—No.

256. You have already answered Mr. Branson as to the position of chief clerks in large companies. How would those who are internal auditors of big corporations be affected ?—They are employees of the corporation. They would not be affected at all.

257. They would not be eligible for registration ?—We do not propose to interfere with any persons who are in employment carrying out the duties for which they are engaged. The audit staff are engaged for internal work and they report to their directors or their chief officials. It is rather a difficult subject, but might I say this: If their work comes before the public, it comes before the public at the instance of their employers and not at their own instance.

258. My point is really this: They have a retiring age now if they are Civil Servants ?—Yes.

259. Many of these men accept public work on retiring from their public office ?—Yes.

* Appendix G.

260. And are now eligible for membership of your Society ?—Yes.

261. In this list I see several names of that kind ?—Yes.

262. In your judgment or according to the Bill, they would not be able to register as public accountants ?—If they are Members of my Society, if I may put it in that way, I and my colleagues would have been guilty of not looking after their interests if they could not come on the Register. They could not go on to the Register while they were in the employ of a corporation or a public body or a firm and receiving a fixed salary, but supposing they retired and wanted to practice, all they would have to do would be to apply to go on the Register.

263. That is the point I wanted to get at ?—That is perfectly clear.

264. You would not disqualify them ?—Not at all.

265. Simply because for five, ten or twenty years they had been employed in that way ?—No, there is no intention, so far as men are concerned who are properly qualified to come on the Register, to put them in any worse position than they are in to-day.

266. You have referred to the fact that in 1911 you collaborated with the Institute of Chartered Accountants in presenting a Bill ?—Yes.

267. Have you endeavoured to collaborate with the Institute recently in the presentation of a Bill ?—I think I may say at the moment on the question of policy we are not in agreement.

268. You have tried to get agreement ?—Yes. We have been in communication with each other, but they are definitely against a Registration Bill and we are in favour of it. That is the reason we cannot come here together.

269. I notice in my own town of Halifax you have twenty members and that of the twenty, eleven are clerks to the public authorities or to private companies ?—That is so.

270. It is a very large proportion ?—Yes.

271. What is the proportion generally ?—In practice, 2,386, not in practice 2,839 ; so that if you take the whole of the Society there is a slight majority of those not in in practice. Taking an office like my own there would be three or four Incorporated Accountants and possibly three or four Chartered Accountants.

272. Would registration mean a monopoly so far as public accountancy work was concerned ?—I think one must say yes, it would lead to the monopoly of public accountancy work in the hands of those whose names were on the Register.

273. It would be confined to those on the Register ?—I do not think we can dispute that.

274. Is there a desire on the part of your Society to limit entrants or are you prepared to accept youths with the intention of their entering the profession without any qualification other than being acceptable to the firm employing them ?—No, we do not attempt to limit the number of people coming in, except so far as this—they must undergo a course of training and pass their examinations so that we can say at the end of their time that they are properly qualified.

275. I will put it a little more bluntly. Do you insist upon a premium ?—No. Of course there are many of us who can command what premiums we think proper.

276. But, as an organisation, you do not insist upon them ?—As an organisation we do not insist on a premium. May I add this ? You will find a provision in our Regulations by which a young man may work his way right through as a paid clerk, but he has to serve about four or five years longer than he would if he were under articles. He need not pay anything at all—he can earn his living the whole time.

277. (*Mr. Warbreck Howell*) : Following that point up, is that the distinction between your Society and the Society of Chartered Accountants ?—Yes, their entrances are by articled clerkships only.

278. What is the trend in your Society on that point ? You say in your first Memorandum that you have 1,586 articled clerks and 1,952 other candidates ?—Yes.

279. Is the proportion of other candidates to articled clerks increasing or decreasing ?—I am afraid of my own knowledge I cannot answer that question. Mr. Hewetson Nelson will be able to do so.

280. As to the preliminary examination, I see you make provision for exemption ?—Yes.

281. With the articled clerks, do you insist upon preliminary examinations ?—There are certain certificates which exempt from preliminary examination. I have personally nothing to do with the examinations, but I can say this from my general knowledge that the number of youths who can present a certificate which will entitle them to exemption from preliminary examination is increasing every year. The preliminary examination has a tendency to decrease because the candidate does all that work before he turns his attention to a profession.

282. I want to ask you one or two questions with regard to an employee who is an accountant. When in your Analysis of Membership* you draw a distinction between those in practice and those not in practice, do you mean those who are holding themselves out, to use your expression, to the public as professional accountants ?—That is right.

283. And not those who are in employment ?—No.

284. Do you exclude retired persons ?—Well, if a man is retired and not doing anything he would not be in practice.

285. He is included in that second category ?—Not in practice.

286. Then the second category includes persons retired ?—May I say this. With us the line is distinctly marked. If a man practises he has to pay a practising subscription which is much higher than the non-practising subscription, so that we know exactly the number of our practising men. They apply to us for permission to practise and pay a practising subscription.

287. Can you stop them practising if they do not pay that subscription ?—Yes ; any man who does not pay his subscription goes right out of the Society—it is very peremptory.

288. Then the category of persons who are not in practice will include those who are in employment ?—Yes.

289. And those who are retired ?—Yes.

290. Are there any other categories ? Would it include those who have gone into other businesses ?—Yes, I have a friend of mine who is a member of the London Stock Exchange who is in our Society. He left accountancy for the Stock Exchange ; but sentiment keeps people in their original organisations and he does not want to leave. But he is a non-practising member of the Society.

291. Could you give me any idea of how many of the non-practising members are earning their living at accountancy as employees and how many are out of the business altogether ?—As employees, you would include, of course, those in an accountant's office as well as those in other businesses.

292. I should include whatever you would include.—I am afraid that is a question you will have to put to one of my colleagues. Might I add that for the last ten years I have not been working on the details of this Society, but I believe the information you want is in the room.

293. Taking these persons who are employed, whether by Companies or Municipal Corporations or other Corporations, why should not they be registered ?—Because we do not see our way—probably the Committee can

* Appendix E.

get over the difficulty that we cannot get over—to set up anything but a Register of Practising Accountants.

294. Why not?—Well, because if you did anything else you would have to include on the register every person who is engaged as an accountant by any private firm or public company or public authority. You would have a register of every person who claimed to be an accountant, which is a very wide term.

295. That may be, but what is the objection to it?—Perhaps I ought not to say this to the Committee, but I should find it impossible of solution.

296. Taking Solicitors engaged by municipal bodies and by large public companies which have their own Solicitor's Department, like railway companies; there is no difficulty in those persons being members of the Law Society and amenable to the jurisdiction of the Law Society?—I agree, but they all became Solicitors first before they were employed. (*Mr. Branson*): They are only subject to the discipline of the Statutory Committee.

297. (*Mr. Warbreck Howell*): Take the medical profession. There you have a very large and rapidly increasing number of professional men who accept employment under corporations and outside bodies. I do not see at the moment what the difficulty is. Supposing a man passes the necessary examinations and becomes a member of your body, and then he sees an advertisement for an Incorporated Accountant and secures employment with a Borough Council, or with some Corporation, why should he be struck off the Register?—But he has never been on it.

298. Why should not he be registered?—He would be registered in his own body—in his own society.

299. Why should not he be on the Register?—The idea of this Register is not to disband the existing organisations: it is simply a Register of public practising accountants for the protection of the public.

300. (*The Chairman*): You say for the protection of the public?—Yes.

301. They would be protected against people who are on the Register; but here you would be leaving out a large number of people against whom it is not thought necessary to protect the public?—We should be leaving out these people, but what we cannot do is this——

302. (*Mr. Warbreck Howell*): If a man confines himself to one client, instead of to a number, why should not he be on the Register?—I have never been able to see my way to propose anything but a Register of public practising accountants. A Register such as you suggest to my mind is impracticable. That must be my answer.

303. What is the reason?—Because you will have to make a monopoly of the word "accountant."

304. That is rather what you propose to do?—No, a "practising accountant" is a very different thing. If you make a monopoly of the word "accountant" no one would be able to engage a man as an accountant for his private affairs in his own office unless he was on the Register. No company could engage an accountant and no firm could engage an accountant.

305. I thought that was the very thing you suggested ought not to happen?—I suggest that?

306. Yes; I thought that was your evidence—that nobody ought to offer their services as an accountant?—As a practising accountant who holds himself out as willing to undertake for pay certain duties. Might I just quote the terms of reference to this Committee: "To consider and report whether it is desirable to restrict the practice of the profession of accountancy to persons whose names would be inscribed on a register established by law." I say this, if any one of you in your private capacity engage a man as an accountant, solely for your own work and pay him a salary, he does not come within the terms of this reference at all. He does not practise the profession of an accountant.

307. Is that so? I still regard myself as practising the profession of a Solicitor.—Because you were a Solicitor first.

308. That does not make any difference?—Pardon me, I think it makes a very great difference. Take the case of our own members. There are many men who, as we term it, leave the profession and take private employment because of the strong inducements which private employers offer in these days.

309. You would not have those persons registered?—No, not at this stage, but I would preserve their rights to apply for registration if they wanted to practise. That is just where the difference is. If they had obtained the proper qualification and they gave up their employment I would reserve their right to apply for registration. With regard to a Solicitor, a Solicitor who is in private employment does not take out a Certificate to practise, I think.

310. Yes.—Not always.

311. It depends entirely whether he is going to act on his own. If he is going to act in his own name for a client, he must do so.—Then he is practising. (*Mr. Warbreck Howell*): Exactly, and I am practising, but I have only got one client.

312. (*The Chairman*): You are putting a narrower sense than is intended I think on the word "practising." I do not see why you should restrict it in the way you are doing. You were rather suggesting that what one might call "practising accountants" are the only accountants engaged in the practice of the profession.—Public practice. (*Mr. Warbreck Howell*): If we accepted that definition of our terms of reference, we should be limited in a way which would make our labours of very little value.

313. (*Mr. Wills*): I do not think it was ever the intention of the Board of Trade to use the word "practice" in the sense in which it is used in the Analysis of Membership*: "in practice" and "not in practice." I do not think the Board of Trade were aware that you restricted the word practice in the sense it is restricted there?—The first clause of our Memorandum on the Professional Accountants' Bill will, I hope, show the objects we have in view more clearly than I can explain them: "The object of this Bill is to organise the profession of accountant on the same lines as the professions of solicitor, surgeon, or physician, veterinary surgeon, and dentist, by forming registers of professional accountants and prohibiting any unregistered person from taking or using any name, title, &c., stating or implying that he is a professional accountant, and from holding himself out to the public as ready to undertake for pay the business of a professional accountant."

314. The terms of reference are not based on this Bill.—I agree; I do not presume they are. I was reading the terms of reference, and the word "practice" is in them. I took the word "practice" in the Board of Trade Reference to mean the same thing as we mean.

315. It was not intended to.—I do want to say most specifically so far as my evidence is concerned—I do not know whether any of my colleagues will differ from me—I do not contemplate anything in the way of legislation which prevents a company or a firm from employing in their own department any person as an accountant. It might mean in my own office I should have to dismiss all clerks who have not any qualification that may be laid down in the Act of Parliament—we should not be able to have any unqualified clerks.

316. (*Mr. Warbreck Howell*): That would entirely depend on the form that the Act took?—Exactly.

317. There is no reason at all why accountants' clerks should not continue to be engaged just as solicitors' clerks are engaged in an office. They would not necessarily be registered clerks, but they would be clerks to registered accountants?—Yes.

318. You would retain all your men under that designation?—Yes, but then there is the case of a company and the private firm.

* Appendix E.

319. I gather your own objection to it is that you have not visualised it and you think it is impracticable?—I must go further than that. Personally I am not in favour of it.

320. If you say that I must press you to tell me why. That is what I have been trying to get at for a little while.—Because the problem is almost an insoluble one.

321. With great respect that is an answer, but it is not a reason.—Oh, well.

322. Supposing we can solve it, do you wish to object?—If you can solve it I shall be only too delighted to examine the solution.

323. With regard to the question of experience, you require from articled clerks five years' experience with accountants?—Yes.

324. And from those who have not been articled, nine years?—Yes.

325. It is quite clear that does give them adequate experience?—Yes.

326. One of the difficulties with regard to accountants outside your own Society and the Chartered Institute and possibly some other bodies, I take it, is lack of experience?—Yes, I should say so.

327. You said that nobody must be deprived of anything. I would like to know what you say with regard to any societies who at present admit to their ranks anybody who likes to apply without any of the supervision which you apply to persons who join your body. The result would be those societies would not grow in the future at all, though you would admit their present members?—No, not all of them—certainly I would not.

328. You would draw a distinction between the members of those bodies you would admit and those you would exclude. It would mean a personal examination of each candidate?—With regard to some of these bodies I should not recognise any qualification they confer at all.

329. With regard to others?—I think that would be rather a question for the Committee. I am glad you have the responsibility and not myself.

330. You would suggest that other bodies should possibly be divided into two categories, some of which could not be recognised at all and others which might be recognised?—Well, I think that any body which comes before this Committee has got to justify itself. I have had on behalf of this Society to justify the diploma of the Society in the Law Courts and other places.

331. It is a little difficult to ask you to say more than that perhaps. With regard to the three Bills which have been promoted, the first one I think you promoted in association with the Chartered Institute?—I have the Bills in front of me and I will answer that quite generally if I may.

332. You can answer the question quite broadly. The first Bill you promoted in collaboration with the Chartered Accountants' Society?—That is what I wanted to see. I think the first Bill of all was promoted by our Society alone.

333. Perhaps I ought to put it in this way. It included in it your Society and the Chartered Institute as bodies whose members should come on the Register?—Yes.

334.—Then I think there was an objection taken by some of the older societies in Scotland?—Yes. That objection was a friendly one, and we re-drafted the Bill so as to meet their views.

335. That was the second Bill?—That was the second Bill. It is the second Bill you are asking me about, but, as a matter of fact, these Bills go right back to 1891. The Bill that you are referring to, I believe, is the one in our Memorandum—the last Bill of all, the Bill of 1911. It was introduced into the House of Lords by the Earl of Chichester on behalf of the Institute of Chartered Accountants and the Society of Incorporated Accountants and Auditors. It was amended in order to meet the views of the Scottish Chartered Accountants.

336. But was there not another Bill which included the London Society and one or two of the other Societies?—I do not know that. That was not one of ours.

337. It was rather the history of that that I wanted to get.—There are various Bills from 1891 onwards.

338. Turning again to your definition of professional accountants, was it intended or expected that the definition in the Bill of 1911 should exclude or include such persons as auditors and actuaries?—"Professional accountant" means any person whose business or occupation is the performance of the functions of professional or public accountants.

339. Take the auditor to begin with. Is he an accountant, in your view, within the meaning of that definition?—Unfortunately, often he is not. I should think, if this Act passed, a man could not sign accounts as auditor unless he was on the Register.

340. In other words, you want a definition which would provide for an auditor and would not allow a man to call himself an auditor unless he was an accountant within the definition?—Yes, I think I can say that. Then you put the word "actuary" to me just now. That is a distinct profession and a profession of very great skill indeed. I do not think they would object to anything we do.

341. You do not think it is necessary to provide for them?—I do not think so. Their functions are so well understood, and they are a profession of distinction. We have never had a word from the Institute of Actuaries that they object to anything we propose.

342. They are, generally speaking, only appointed by persons who are qualified to decide whether the persons they employ are suitable for the purpose?—Yes.

343. What about these Income Tax people? Do you suggest that the definition should be wide enough to exclude those?—I should suggest that the definition should be wide enough to prevent them making up accounts and presenting them to the Inland Revenue. What other duties they discharge I do not quite know, but I could not go further than deal with those people from the standpoint of their accountancy work.

344. You would want a definition which is wide enough to exclude people from doing that work unless they were on the Register?—Yes, so far as they are doing accountancy work. If you were to introduce a Bill for presentation to Parliament I hope it would prevent people from compiling accounts for the taxpayer and presenting them to the Inland Revenue unless they were on the Register. That is one of the most fruitful sources of trouble at the present day to the public.

345. I am rather puzzled with your definition because it does not seem to me that it covers either of these two classes and I should have rather expected it would?—Well, I am afraid the definition was put there by the lawyers for us.

346. Then there must be a good reason for it. Would you look at Clause 11 (3) (*d*) of your draft Bill? What sort of businesses are incidental to or concerned with the practice of the profession of an accountant? What have you in mind? What combination is there that is common?—Well, I am afraid my mind is hardly on it. I find so much to do in regard to accountancy and auditing that I do not contemplate anything outside it myself. I think that is rather put there as a matter of safeguard. I do not know whether some of my colleagues could deal with it.

347. Assume for a moment you get a properly qualified accountant who is on the Register, is there any objection to his engaging in any other kind of business?—I do remember in my early days a gentleman who combined the business of professional accountant with that of hairdressing.

348. What do you say to that? It does not tend to raise the profession in the minds of the public if a man

who cuts your hair says :—" I can also audit your books " and is touting for business while he is performing on you.

349. There are all sorts of people driving cabs to-day You get a good many ups and downs of that kind. What would be the position if you had a member of your Society engaged in business—do you raise any objection to it at all ?—If he is in practice, yes. It is done with the idea of maintaining a certain standard of conduct.

350. Supposing you had a member who had been collecting rent and was acting as property manager or estate agent, which does not seem impossible in some cases, would you raise any objection to that ?—I should personally raise an objection to his holding himself out to the public as an estate agent. As a matter of fact, you have to do a certain amount of that kind of work when you are appointed Receiver under the Court. You cannot dispossess yourself of it if you take certain appointments under the High Courts of Justice.

351. You say personally you would raise an objection. What would your Society do ? Would they, or could they, take steps against one of your members doing that class of work ?—Yes. If the man declared himself as an estate agent as well as an accountant when he obtained membership he would be allowed to continue that work, but we do not allow our members to add to their practice other occupations.

352. Have you power to strike them off your lists of members ?—I must not go further than that. It would be a subject for investigation.

353. But that is as far as you have gone. You say you do not allow it, which means you strike them off ? —A man is bound to confine himself to the work which he declares he is carrying on when he obtains membership. One must not read into this really more than is put down in the Regulations. The circumstances of business are constantly changing and things have very much changed since the War. We do not object to a member of our Society being a director of a company, and I do not think any other profession does.

354. That was the instance I was just going to give. Are not there members of your Society who are managing directors of companies ?—I do not think so, unless they are finance companies—certainly finance companies, yes.

355. But if there was any recommendation from this Committee for any legislation, would you consider it necessary to include any provision confining the business of persons who hold themselves out as professional accountants to that particular work ?—Well, I would rather not answer that question without consideration. It is too far-reaching.

356. It is raised in your Bill ?—Yes.

357. It is a point which will have to have consideration from us ?—Well, I went into this at the time, but I think even now I would rather not be pressed for an answer without having a little more opportunity of considering it.

358. As to the decision of the Local Legislation Committee in the Cardiff case, do I understand you did not petition ?—We petitioned, but in view of the sitting of this Committee we instructed Counsel to make the statement to the Committee which I have read.

359. But on that what happened ?—We withdrew from taking part—we did not oppose. We withdrew our opposition in view of the sitting of this Committee, because we considered that this Committee was going into the whole question.

360. (*Mr. Scott*) : As to this question of limiting occupations of accountants, may I take it you would not seriously object to the members of the Chartered Body, or members of your own Society, being directors of industrial companies ?—No.

361. You are aware that, at the present time, industries being in the condition in which they are, it is very desirable indeed that the services of properly qualified accountants should be available in reconstruction schemes, or in the administration of these large industrial concerns ?—My answer is, if I objected I should be axeing myself. I must plead guilty to being a director of more than one company.

362. So that you are not disposed to that extent to restrict the functions of accountants ?—No. There is a generally accepted standard in commercial and public life. What we are searching for here is to maintain that standard. That is the ideal. When you bring me to consider the exact form of words, I find it is a little difficult to put down some definite formula without giving it a lot of consideration, but what I want is this : I want every man who holds himself out to the public as being a professional or practising accountant to conform to a certain standard of conduct which is generally accepted by commercial and professional people.

363. I do not think there is any difference of opinion there. May we come back to the main point at issue ? I think we are agreed there is a distinct cleavage between the views of your Society and that of a number of other societies—at any rate between yourself and the Chartered Institute on the question of registration, for instance ?— I have not seen the evidence of the Scottish Chartered Accountants, but I do know definitely as between our friends the Institute of Chartered Accountants and ourselves, there is a distinct cleavage.

364. So far as you are concerned, you do not anticipate that there will be any danger to your particular Society in registration by levelling up in the minds of the public the other societies which are comparatively unknown if they succeed in getting their members on the register ?— I think that for legislation of this sort some price will have to be paid.

365. That is the point ?—I think so. If one were going to look at this matter from an absolutely selfish standpoint, I would say that I do not see that my friends and myself have very much to gain by it. But there is this question. We are the trustees for a large number of people, especially a number of young men. If some of my friends and myself had been able to settle this question a quarter of a century ago we should have been in a very different position to-day. I do not see that anything has happened to make me say that my past conduct in relation to registration is wrong. I cannot turn my back on it, although I do not see that there is any personal advantage to be gained out of it.

366. May I take it that neither your Society nor the Institute has anything to gain by the question of registration ?—You may.

367. You agree ?—Yes, I do agree.

368. It comes to be a question of these other societies which are very little known to the public and whose practice is a comparatively restricted one. They do accountancy work in certain fields of a restricted nature, or they do it for people in a comparatively small way of business, who are not as a rule very careful as to what accountants they employ, and therefore they take anybody who holds himself out as an accountant. Do you think that the provisions in your Bill for registration will be sufficient to prevent any abuse of registration ? Under the Bill you give power to the Registration Committee to lay down certain conditions as to anybody who is not a member of a well-known society getting registration. I assume you think under this clause of this Bill any member of these less-known societies who was anxious to secure registration would be able to get it ?—Yes, on the conditions laid down.

369. But he would only be able to get it provided he levelled himself up by practising accountancy work and also by educational qualifications to the standard of the Society ?—I do not think it goes so far as that. He has to prove that he is in public practice.

370. I think the clause in the Bill stipulates for a little more than that. You would require educational qualifications would not you ?—May I refer to the clause : " Any person who (although not a member of any of the

institutes or societies mentioned in sub-clause (*a*) hereof) shall within six months from the passing of this Act give notice in writing to the English Committee, and within 18 months from the passing of this Act prove to the satisfaction of the English Committee that he was in practice as a professional accountant in England or in Wales at the passing of this Act, subject nevertheless to the provisions of the section of this Act whereof the marginal note is 'Power to refuse registration in certain cases.'" That power to refuse I think I dealt with in reply to questions put to me by Mr. Branson. But any person who is actually in practice at the passing of the Act will be entitled to say to the Registrar, "I am in practice and I can prove it." If he were in practice and could prove it, subject to his being a person of good conduct, he would have to be put on the Register. If he had the minimum qualifications he would have to go on.

371. Do you support registration as a public accountant of such a man. You would not care to employ such a man yourself?—I quite agree, but if this law is to be passed, I venture to submit to the Committee that nothing else is practicable. I do not see how we can say to any man: "You were in the year 1930 lawfully carrying on a certain business in England and Wales. You shall not carry on that business any longer."

372. But is not there an alternative to that in this way. All those who are by education fit to come forward for registration and have also practised as accountants could come forward and be registered immediately. But there are many others connected with these societies who could not possibly come up to that standard?—Quite so.

373. Would not it be very objectionable if you gave immediate registration to those? Why not make it a conditional thing—for instance, say that all members of your Body and all members of the Chartered Body, and the best known societies, should be entitled to be registered as public accountants if they wished? By that plan they would keep their own special designation of C.A.'s, and so on, by which they are known to the public?—Yes.

374. Would not it be sufficient if you allowed registration as a hall-mark to members of those inferior societies who had special qualifications, both educational and practising?—That would mean you would have to institute an examination of certain persons who are now carrying on business in this country, and are entitled to carry on business, and then if they did not pass you would say, "You shall not carry on that business any longer."

375. I did not say that. They would simply continue as they are at present, but they would not be entitled to call themselves registered public accountants. Is there any objection to that?—I do not see there is much in what they call themselves so long as you do not take a man's living away. We may all have views in this room, but we have to consider what views are practicable.

376. There are certain recognised societies, as things stand at present, which the public know well, with good qualifications?—Yes.

377. There are a number of other societies where the members have very small qualifications in the proper sense of accountancy. I can understand the contention of some of the Chartered people, that they think they would lose more by giving this hall-mark of registration to such people as these. I was supposing we did not give it to them until they became more or less up to your standard. They have got on well enough at present without it. Why should not they continue?—If the Committee think that everything is going on well as it is, then I assume its Report will be in the negative.

378. Excuse me, I did not by any means suggest that. I mean we may create a danger to the public if we confer a hall-mark of registration on certain people who have only a limited knowledge of accountancy and have little education. It might make things worse than they are?—My point is this. If we had a Registration Act, we should bring all this business to an end. Whether we, who are in the thick of it, would benefit or not is quite another question, but there would be an end of it. We should be legislating for the benefit of those who are to come after. If we had only dealt with the question with greater zeal 30 or 40 years ago, all this trouble would have gone by this time. I cannot, for the life of me, see that there is any justification for continuing a state of things because it is going to create for us some trouble.

379. After all, accountants might get along without anything being done in the way of registration so far as you and similar societies are concerned, but the disadvantage to the public is that there is no control over any people forming themselves into a society and calling themselves accountants of some kind or other?—I agree.

380. This suggestion of registration is for the purpose of putting some guard on that?—Yes.

381. It is nothing to do with your Society or with the Institute?—No.

382. It is with regard to these minor and unqualified people?—Yes.

383. Would not it be better to insist right away, as a corollary of registration, that a national council of some kind, something like what is foreshadowed in your Bill, the English Committee with the qualification set down there, should be set up which would be sufficient to prevent any except those who are moderately well qualified getting the title—you could leave all these societies out of account?—Very well. You pass the Act and you will have to put these people somewhere and their qualifications. How will anybody know they are entitled to continue practising unless they are put into some schedule?

384. They will come up for examinations, as stated in this Bill. They will be judged whether they are fit for qualification or not by the English Committee, and the Scottish Committee will have powers for that purpose. If they do not appear to be qualified, then let them continue as they are. As far as the public are concerned, they would then know that So-and-so was not a registered public accountant, which would be a gain to the public?—Certain persons would be entitled to continue practising as accountants, but they would not be placed on the Register and would be put in the schedule. Do I follow it aright?

385. They would not be entitled to the special designation, but whether they should be entitled to call themselves accountants is another question. You would not debar them from doing a certain amount of work?—So long as their living is not taken away from them—I could not subscribe to that—the particular machinery does not interest me so much.

386. It is a very small matter to your Society? It is really the public who are concerned here?—What I feel is this. If any proposals were to be put to Parliament that a man who was lawfully carrying on his business here is to have that business taken away from him, then Parliament would turn it down at once whatever authority is behind it. If you put it in another way and say you will put certain people in schedules, then personally I do not mind what is done in that way.

387. In the same way in the medical world and the legal world, you have men with certain qualifications who cannot carry on certain duties unless thay have paid certain fees?—Really that is all machinery.

388. The public discriminate between them as they discriminate between you and one of the inferior societies?—If I may respectfully say so, you and I agree on the principle, but it is only a question of machinery, and that I do not mind so much.

389. Except on this point, where I do see a difficulty in the minds of the witnesses. Some witnesses seem to think if you adopt registration it is necessary that you should adopt it in full at once and rope in all the members

of these inferior societies indiscriminately. Obviously some of them are not qualified, and it would be a danger to the public if they were registered as public accountants. Then why not limit registration to members of the Societies who can prove to the National Committee that they are entitled to qualify? That is my point?—I see what you mean.

390. (*Mr. Wills*): I think you said in connection with the Cardiff Bill that there were only two alternatives—either to enumerate a number of societies in the audit clause or to have registration?—Yes.

391. Is not there the third alternative of omitting that particular part of the clause which dealt with the question of the qualification?—If you omit the clause have not you to fall back on the elective auditor who is not bound to have qualifications of any sort or kind?

392. This is a matter rather for the Ministry of Health and I am not familiar with the Cardiff Bill, but the same point has arisen on Bills relating to statutory companies. Do you see any objection to the omission of the clause as to the qualification of auditors?—Yes, decidedly. This matter has been fought out since the year 1894, when a Joint Committee of both Houses of Parliament objected to this elective auditor business, and they recommended there should be a general statute prescribing the qualification of auditors. That was not given effect to, so we have had these Bills Session after Session and fought them all out.

393. As you are aware, there is nothing in the Companies' Act which requires auditors of a public company to have any special qualifications?—That is so; but, if I may say so, commercial men are more careful in these matters than ratepayers are.

394. But some limited companies registered under the Companies' Act are very important concerns—quite as important as many statutory companies?—Well, I do not know of any company of any importance whatever where the auditor is not a qualified man.

395. I am not suggesting for a moment that that is not the case; but what I am saying is there is no Act of Parliament or anything in the Memorandum and Articles requiring that auditors shall have qualifications. It is left to the discretion of the company to appoint qualified men?—I am in a position to answer that. I was a member of the Companies Act Committee, and we considered the question of the audit clause. Simply because of the immense trouble we were having in Parliament over this very question, we decided to leave it alone because we did not consider the public interest suffered. We had no cases before us where it was shown that unqualified persons were auditing the accounts of limited companies, and, therefore, we let the whole question alone.

396. (*Chairman*): The companies take care that they should have properly qualified men?—Yes.

397. (*Mr. Wills*): Could not corporations and other concerns be left to take care of that, as companies do?—I do not think so. I have knowledge of cases where men have put up as elective auditors and have got a few people to vote for them. Probably 10 per cent. of the ratepayers will go and vote for the elective auditors and 90 per cent. will not take any notice of the matter at all.

398. You draw a distinction between municipal corporations and statutory companies?—I do not want to do that. I have an enormous respect for municipal corporations and all the work they do. I do not want to use words that are slighting in regard to them; but put the ratepayers of a municipality against the shareholders of a company. The shareholders of a company are more careful as to the people who audit their accounts than ratepayers are. Ratepayers do not take any notice or bother themselves about it at all. Therefore, the corporations themselves have moved in Parliament to get properly qualified men.

399. When I said you draw a distinction, I merely meant you would think it necessary to have some safeguard?—Yes; I have drawn a distinction as between ratepayers and shareholders.

400. You think safeguards are more necessary?—I think so.

401. Do you think it would serve any useful purpose to have a register which was confined to auditors, using the word auditor in the sense of a watch-dog. You would not consider it practicable to include in your register all persons doing accountants' work?—All persons in "private employ": no—I want to get those words in. All persons doing accountancy work for the public should be on the register. There is another difficulty in using the word auditor. Our Society is called The Society of Incorporated Accountants and Auditors; but it is held by many that the duties of auditor are only part of the duties of accountants, and I think if you confine it to the word auditor you would omit a very large proportion of the duties of an accountant.

402. I used the word auditor in the sense of a watch-dog. A distinction has been drawn between the accountant appointed at the general meeting of a company to audit the company's books and the accountant in the permanent employment of the company?—One gets an immense amount of work given to one as an accountant. Take the case of the Law Courts. You go to the Judges in the Chancery Division and say: "I want the appointment of a Receiver." A name is suggested, and they say: "Who is he?" He is generally an accountant. They say what are his qualifications, and so on. They appoint him. We have to consider all those cases in regard to the register of accountants. I do not think the use of the word auditor would meet the situation.

403. I do not mind about the word so much, but it is rather the distinction in duties?—The duties of an auditor.

404. Yes; what I had in mind was that it might be desirable—I do not know whether it would be desirable and it might be quite undesirable—to have a register of watch-dogs—of the sort of people who have to audit the accounts of Friendly Societies and Building Societies?—A register of auditors.

405. In the interests of the members, to keep a check on the accountants who are employed by the Society or company?—Well, you would exclude all those gentlemen who make up accounts for the Inland Revenue. They are not auditors, and they do not profess to be. They take very good care, a great many of them, that they do not sign the accounts.

406. It would also exclude the people who write up books for tradesmen. They would be doing that work merely for the tradesman himself?—If they did it as public accountants, of course they would come in under the proposed Act.

407. Quite so. Do you see any useful purpose in limiting your list to auditors in the sense in which I have used the word, as watch-dogs, or do you think that, from the point of view of the public, it is more necessary to have a register of the other type of people, people who are employed by the tradesman to write up his books?—No. I feel quite sure, in my own mind, that if we limit it to auditors in the way you suggest so far as the purpose we have in view is concerned the Act would be useless.

408. I thought you would probably say that. Those are just the cases in which you would trust the parties concerned to appoint properly qualified prople?—Yes.

409. There is really no necessity for an Act of Parliament to deal with it?—Not in those cases.

Mr. Henry Morgan Examined.

410. (*Chairman*): Is there anything you would like to say as a preliminary?—There is very little I wish to say. My experience in the profession is very short compared with that of Sir James Martin. I qualified in 1904. I at once set up in public practice. I have carried on

practice as a professional accountant in the City of London up to the present time. At present I am the President of the Society of Incorporated Accountants and Auditors.

411. In your opinion, is there any demand on the part of commerce or industry for registration?—I do find within my own experience continually that people are misled by unqualified accountants. It is, of course, difficult to point to any definite public demand, but cases come up continuously. May I mention one? Recently a client came into my office and introduced a man he knew who had a business which he wanted to sell. He wanted to know whether among my circle of clients I would find the money for it. He produced the accounts for five years. I pointed out that the profits shown did not justify the price he was asking. He replied that his profits were a great deal more than those shown. I asked him for an explanation, and he then told me that in order to avoid income tax a considerable amount of his receipts had not been shown in his books—and he added that his accountant would support his statement. That was quite recently. This was a case in which an accountant was prepared to assert that the profits were more than what had been submitted to the Inland Revenue. That accountant is assisting the man to defraud the Revenue. He is robbing me. I am a member of the public.

412. He was a practising accountant?—A practising accountant. He was not a member of our Society nor of the Institute.

413. He was a man who would, as a practising accountant, if anything like that happened, have been put on the Register under this scheme?—That is so.

414. (*Mr. Bellman*): I have a question which relates to paragraph 11 of your second Memorandum, where reference is made in the last sentence to "disciplinary control." I suppose you have not formed any idea as to the total number of accountants who would probably be entitled to claim some form of registration?—It is very difficult to say. We know that members of what I may call minor bodies are very numerous. From my own knowledge, I can say that by far the greater proportion of the members of those bodies are not in practice as accountants. They are clerks to companies or secretaries to companies or in commercial concerns. They are not "practising" as generally understood.

415. The point I wanted to make in particular was this. It has been suggested it may prove a very difficult thing to have effective discipline over a large body of registered accountants. Do you think, from your experience as a member of the Disciplinary Committee of your own Society, that an extended register of accountants would make it a very difficult thing to maintain effective discipline?—No, I do not think so, because if registration were to come about there would, I think, be a large reduction in the number of cases which would require to be controlled in that way.

416. (*Mr. Walker Clark*): Was the man to whom you have just alluded to as an accountant a member of any recognised society?—One of the minor bodies.

417. He was a member?—Yes: well, he signs himself so. I have not looked up their list to verify it.

418. (*Mr. Warbreck Howell*): If any register were to be established it would be necessary to provide from the date of the passing of the Act that nobody in future should come upon the register without having certain qualifications?—Yes, that is our view.

419. You would have then existing, prior to the coming into operation of the Act, a class of persons part of whom were unquestionably qualified such as members of your own Society and possibly other societies, and the remainder who may be either members of what you call minor societies, or who might possibly not be members of any society at all?—That is so.

420. Would it be possible to collect those persons in some way by requiring that any person in practice at the date of the passing of the Act who desired his name to be included in the schedule should make an application so that he might go into the schedule, which would thereupon close the list of all possible candidates for registration once and for all. There might be some method by which that list of applicants could be sifted and either admitted or not admitted according to their qualifications. Do you think any scheme of that kind would be possible?—It might be possible; it does appear to me that there are difficulties. Take men who belong to no body whatsoever, but who have been in practice quite a number of years. I do know that there is a number of that type; men who carry on, especially in small country towns, quite a reputable practice. To require those men who are getting on in years to submit themselves to an examination as a condition of continuing on the register might create a very great hardship.

421. I did not necessarily mean that. I appreciate there may be cases of that kind. What I had in mind was this. Include first of all the obviously qualified section; then collect the whole of the rest—by means of an application which they would have to make by a certain date—into a pool and then close the door, so that for the future you have got rid of any difficulty at all. All people in future would have to come under the ordinary qualifications laid down, either examinations or experience under articles, or whatever the test might be. Then in respect of the pool, there should be some system by which those persons should be admitted or not admitted to the register according to their qualifications. There is the man who has established a good practice, although he is what you may call a quack. He might or might not be admitted by the sanction of the Committee or whoever was charged with the admission of persons to the register. On the other hand there might be some who, on inquiry, it would be decided not to admit, possibly because of their very short experience. They might be admitted at a later date. There might be some system by which that pool could be analysed and proper cases put on the register immediately, others after a probationary period, and others perhaps excluded altogether?—Yes, such a scheme might be possible, but I still say that it might be a great hardship in certain cases. It does appear to me that the objection which such a scheme might be intended to meet is already provided for under our Bill, because we put forward the view that members of the Institute and the Society should still continue to practice under their present designations. They would still be incorporated. They would still be chartered. The public, by reason of that fact, would be able to draw a distinction between men who were qualified by membership of these two bodies and men who come on the register by reason of this provision for the taking in of practising accountants at the commencement of the Act.

422. There does appear in some of your evidence to be an objection to allowing all persons who are practising accountants at the moment to be put straight on to the register—I mean the gentlemen you have just referred to?—Yes, we should like to see what you suggest, if it were possible. As Sir James Martin said, we realise some price has got to be paid. It is not going to benefit our Society or the Institute immediately—possibly not very much for some years to come; but eventually it must have the effect of purging the profession from features which are really so unsatisfactory to-day. We shall gradually weed out these men. When the Institute was formed it had to take in a large number of people whom it would never consider as members to-day; but in the course of years all those people dropped out.

423. When your Society was formed, unlike when a great many other professional associations were formed, there were not a great many people practising. Their services were not required to the same extent as at present—the amounts involved were nothing like what they are to-day?—I remember when I started practice a great

many people who employ professional accountants to-day never thought of having an accountant. It was a luxury quite undreamt of. They used to fill up their own Income Tax returns. Hardly anybody does that to-day. It is a very complicated matter to settle profits for the purposes of Income Tax.

424. Do you really say that you would recommend this Committee to suggest that everyone who has at the moment a plate up calling himself an accountant should be registered ?—I think that is about the only practicable plan ; otherwise we are going to be met with the objection that we are depriving a great many people of a living which they are obtaining from the practice of accountancy to-day.

425. But why deprive them of their living ? Let them go on. You could have the pool that I mentioned and say, " You may become a member of the Register." Then let the others go on exactly as they are now. There would be no more. But you do not propose to interfere with them at all. That would meet the objections which were put forward to-day. It would stop the formation of all these new associations of accountants and would gradually put an end to the members of those bodies who were not properly qualified ?—I quite agree.

426. You would have on the Register the members of the Chartered Society and your own Society and others who could satisfy the Committee that they were entitled to come on the Register. Then you would have the remainder of the pool who would go on practising as accountants. There would never be any more, and gradually that would work off the incompetent ones ?—Yes, I think that is a view which my Society would be very willing to adopt because it does create one class of professional accountant in regard to which there is no reasonable question as to their qualifications.

Mr. C. Hewetson Nelson, J.P., Examined.

427. (*Chairman*) : Have you anything you would like to say to us ?—There were two or three questions asked which perhaps I can reply to as Chairman of the Board of Examiners. The first question was as to the number of candidates that came through articles of clerkship and the number of candidates who sat who were not articled. The reply to that is that the numbers are about equal—fifty-fifty. The next question was with regard to the percentage of members not in practice in our list and not holding appointments as accountants to companies or corporations, or as clerks to public accountants. The reply to that is that the number is extremely small indeed, and includes mainly those who have been members, but have ceased to practice and have maintained their membership of the Society. You get an illustration of that in the Society's Year Book in the case of a member who was a practising accountant and then went to the more remunerative business of the Stock Exchange, but has always maintained his membership of the Society. There are several cases of that kind, but the number is extremely small. I think those are the only two questions that were referred to me by Sir James.

428. Are the candidates which come up for examination at the present moment of a high class as regards their knowledge and intelligence ?—I think so—very high.

429. Is it increasingly so ?—Undoubtedly. You will see from the tables* that in 1920 we passed 67 per cent., and in 1929 we only passed 46 per cent. in the Final Examination, which is the ultimate test. You will observe from the names of our Examiners in the Year Book that it is a very strong Board of Examiners. We take as much pains in the setting of the questions as we do in the marking—that is to say, when each Examiner has set his questions and they are sent in to the Secretary and printed, the whole bundle of questions comprising that examination is sent out to each Examiner. We then have a meeting of the Board and we go through each Examiner's questions, and if any question appears to us to be the sort of question which ought not to be asked, it is deleted by the Board. If any question appears to us to be unfair to the candidate it is deleted by the Board. Then, when the work of the Examiners is completed and the schedule sent in, we meet again as a Board, consider the whole of the results, and make our recommendations to the Examination Committee of the Society, which is a different Committee, and they finally confirm or otherwise the recommendations of the Board. Speaking with about sixteen years' experience of the work of that Board, I consider the work is very well done.

430. (*Mr. Bellman*) : In one of your replies to the Chairman you referred to the quality of the candidates for examination. I take it you suggest that the quality is perhaps higher than it was ten years ago ?—There is no question about it.

431. The percentage of passes being on the decrease would suggest that the standard of the Examination is much higher ?—I agree.

432. A candidate having failed to pass his Final is entitled to try again ; for how many times ?—As many as he pleases.

433. Indefinitely ?—We have some who have been up for the Final five or six times. Some have been fortunate enough to get through the sixth, and some have ceased to come, but there is no limit to the number of times they may apply to sit.

434. (*Mr. Walker Clark*) : Do those who fail in your examination sometimes succeed in getting into another organisation where the gate is rather easier of access ?—I believe we have given evidence which demonstrates that fact before one of the Local Legislation Committees.

435. That is your considered opinion ?—Yes, I think there is no question about it.

436. (*Mr. Warbreck Howell*) : I have been looking at the number of candidates which pass the Final and comparing them with the number which pass the Preliminary. The number who pass the Preliminary Examination is smaller, but the number who pass the Fina is increasing. You have certain exempted examinations ?—Yes.

437. Such as Matriculation ?—They are all set out in the Syllabus, which has been circulated. The majority of our Preliminary men go through equivalent examinations and not through our own.

438. The figures given by you are those who pass your own Preliminary Examination ?—Yes.

439. It does not mean that the balance are exempted ?—No.

440. It means that the great bulk of the balance will have passed some qualifying examination ?—Yes.

441. Which exempts them from yours ?—Yes.

442. What proportion of those who are now coming in to the profession are exempted completely from your preliminary test ?—On an equivalent certificate, do you mean ?

443. No, without any ?—None. They must take the Preliminary Examination of the Society unless they produce one of the equivalent certificates set out in the Regulations.

444. They must have one or the other ?—They must. We must judge their general educational fitness.

445. You say in paragraph 5 of your first Memorandum that you have 1,586 articled clerks and 1,952 other candidates. What is the trend of that ? Is the proportion of articled to non-articled increasing or decreasing ?—It is about equal.

446. At the moment ?—At the moment.

* Appendix E.

447. What is the trend?—I should think the trend was probably very slightly in favour of the articles—to the extent of not more than 1 per cent. or 2 per cent. at the outside.

448. Are most of those who are not under articles what you might call the bright type of boy, who comes into the office and attracts the attention of the principals and shows he is worthy of being helped on?—Yes.

449. Does he get through in that way?—Yes. All candidates must be able to comply with our Schedules. We require them to give us details of the whole of their professional experience. That means in accountancy. We do not take any other experience into account. They have got to give us the whole of their history so that we can trace wherever it may be.

450. (*Mr. Scott*): Would you say that the examination standard of your Society was equal to the standard set up by the various Chartered Societies in England and Scotland?—Without hesitation. As a matter of fact, we were the first Society to introduce Economics and Statistics into an accountant's examination.

451. You will agree with Sir James that, with the growing responsibilities of the accountancy profession in connection with the industrial world, it is an inevitable and desirable fact that the qualifications educationally of those in your profession should be gradually steepened?—Yes.

452. In the case of these inferior societies, where the practical qualifications are more limited and the educational qualifications still more limited, do you see any danger to the public in registration?—The immediate danger may be there; but I am persuaded that the ultimate gain will outweigh any present disadvantages.

453. Would it not avoid any question of that kind if you only extended registration to those members of these inferior societies who could prove to a National Board that they had the educational and practical qualifications?—I should think that ultimately that might contain a danger.

454. What danger?—I do not mean at the moment, but in the course of a quarter of a century—it does not really settle the question in my mind.

455. Is not the whole point here the question of eliminating, so far as the public are concerned, the danger of unqualified men?—Precisely.

456. First of all, you could limit very seriously those who can, out of the said societies, get the qualification, and allow the others to stand back?—You mean to allow the Chartered and Incorporated to stand back?

457. No, all those in the Chartered Societies, and in your own, would automatically be entitled to register themselves as public accountants; but the whole question is the danger with regard to these inferior men?—I quite agree.

458. Members of inferior societies whose qualifications are small?—Yes.

459. If a registration Bill is introduced, would not it be necessary that we should stress the qualifications of registration, as was allowed by the last witness, Mr. Morgan—I think he admitted that? There would be a danger from registration, and you would require to restrict those who did get registration?—Restrict it to whom?

460. Restrict it to those who could prove to this National Board that they were qualified?—Yes, to what we call the Register Committee.

461. Yes?—They have to be satisfied that the person concerned is carrying on a genuine business as an accountant.

462. Otherwise, you do admit that you might confer a prestige on these very badly qualified men which they do not deserve?—I agree.

463. A prestige in the eyes of the public?—Yes; but if the Bill goes through, that will happen.

464. It does not affect your own and the Chartered Societies, but it is a question of these inferior men?—I agree.

465. It would be desirable, if possible, to limit those who come within the scope of registration?—Yes, as far as practicable.

Mr. R. Wilson Bartlett, J.P., Examined.

466. (*Chairman*): Have you any remark to make?—Well, after the very exhaustive examination of Sir James Martin and the other witnesses, I am afraid I have very little to add, with the exception of one point, namely, that possibly this matter does affect the Provinces a little more than it does the City of London. I think you have the case of the small man and the small trader more prominent in the Provinces than in the City.

467. It does affect them more?—I think it does.

468. Do you mean for the reason that they are more in need of protection?—Yes.

469. The dangers to them of unqualified people are greater?—They are greater in the Provinces than in the City.

470. Because there are fewer qualified and more unqualified?—Yes; and there is less discrimination shown.

471. Owing to the psychology of the Provincial?—Yes, I think very largely.

472. Have you many cases in mind?—Yes, I have many cases in mind.

473. If you had registration, and you desire to put on the register men who were in practice, there is a danger of undesirable men getting on the register, such as we have heard in one case to-day?—There is a possible danger; and it would be a very difficult matter for the Register Committee to see that no undesirable person got on to that register. On the other hand, those men are to-day trading in many cases upon the public, whereas after you have once got a register, even if they get themselves upon the register, in future they would only be able to make one slip and they would come under the discipline of that Committee: but to-day they can make two or three or four slips, or go on *ad lib*, and there is no discipline whatever on those particular persons.

474. (*Mr. Warbreck Howell*): What exactly is the psychology of the Provincial which causes this? Why should you think they are more in need of protection in the Provinces than in London? You say there are small businesses and small people who want assistance more in the Provinces than in London?—Yes. In many cases I think it is more a matter of friendship. They meet in social clubs and sport, and that kind of thing, and become friends and solicit business and get it through friendship rather than on the qualifications they hold. I think that is more capable of being put into practice in a small place than it is in a larger place. (*Mr. Warbreck Howell*): I understand that; but personally I should hardly have called it psychology.

475. (*Mr. Scott*): I suppose, in your reference to the Provinces, you did not include Scotland?—I always understood that was a separate kingdom.

(*The witnesses withdrew and the Committee adjourned.*)

APPENDIX E.

THE SOCIETY OF INCORPORATED ACCOUNTANTS AND AUDITORS.

Particulars of Examinations and Membership.

1. The Preliminary, Intermediate and Final Examinations are held half-yearly in ten centres at Home and in the British Dominions.

2. The Syllabus of the Examinations is attached.*

3. Statistics of the Examinations for 10 years are as follows:—

Year.	Final.			Intermediate.			Preliminary.		
	No. of Candidates.	Per cent. Passed.	Per cent. Failed.	No. of Candidates.	Per cent. Passed.	Per cent. Failed.	No. of Candidates.	Per cent. Passed.	Per cent. Failed.
1920	362	67	33	468	74	26	123	63	37
1921	457	63	37	760	73	27	176	66	34
1922	522	62	38	728	68	32	191	68	32
1923	575	63	37	643	61	39	281	61	39
1924	567	58	42	573	60	40	313	68	32
1925	516	56	44	636	53	47	366	59	41
1926	499	43	57	661	49	51	402	58	42
1927	540	62	38	791	49	51	368	62	38
1928	515	48	52	893	51	49	344	63	37
1929	556	46	54	839	48	52	332	59	41
	5,109	56%	44%	6,992	58%	42%	2,896	62%	38%
	5,109 Total.	2,881 Passed.	2,228 Failed.	6,992 Total.	4,034 Passed.	2,958 Failed.	2,896 Total.	1,797 Passed.	1,099 Failed.

4. STATISTICS SHOWING PROGRESS OF MEMBERSHIP.

Year.	Number of Members.	Year.	Number of Members.
1885	350	1927	4,847
1900	1,514	1928	5,051
1910	2,378	1929	5,225
1918	2,854		

5. ANALYSIS OF MEMBERSHIP—JANUARY 1ST, 1930.

	Fellows.	Associates.	Honorary.	Total.
England and Wales—				
In practice	922	965	—	1,887
Not in practice	171	2,227	—	2,398
Honorary	—	—	3	3
Scotland—				
In practice	49	13	—	62
Not in practice	8	38	—	46
Ireland—				
In practice	38	34	—	72
Not in practice	2	58	—	60
Overseas—				
In practice	188	175	—	363
Not in practice	30	303	—	333
Honorary	—	—	1	1
Total	1,408	3,813	4	5,225
In practice	1,197	1,187	—	2,386
Not in practice	211	2,626	—	2,839
Total	1,408	3,813	4	5,225

* Appendix F.

APPENDIX F.

This Appendix consisted of Extracts from the Society's Examination Syllabus.

APPENDIX G.

THE SOCIETY OF INCORPORATED ACCOUNTANTS AND AUDITORS.

The following are particulars of typical cases of Accountants in public practice to which the attention of the Departmental Committee is called :—

CASE 1.

"A," formerly an Incorporated Accountant, was suspended by the Disciplinary Committee for improperly soliciting for Income Tax business. Owing to his continuing the offences, he was excluded from membership of the Society in 1923. He is still in business as "an Income Tax Specialist," and is still issuing Circulars offering to investigate Income Tax Assessments.

CASE 2.

"B" was Receiver for Debenture Holders, but he converted funds to his own use and was made bankrupt by the Liquidator of the Company. He is still carrying on business as an Accountant and Estate Agent.

CASE 3.

Criminal.—"C" was a solicitor's clerk in Maidstone, and went to Manchester, where he carried on a series of long firm frauds. He was sent to prison about 1925 for three years' penal servitude for obtaining goods by false pretences. He was made a bankrupt in 1911, at the age of 23, his liabilities being £421, assets £43. This man is now practising as an Accountant.

CASE 4.

"D," an Accountant who became bankrupt many years ago, has practised continuously as an Accountant since his bankruptcy.

CASE 5.

"E," a coal merchant and general haulier, holds himself out as a specialist in preparing accounts for Income Tax purposes. Accounts which he has prepared and submitted have been considered unsatisfactory by the Inspector of Taxes in his district.

CASE 6.

Criminal.—"F" commenced practice on his own account, but had practically no knowledge of accountancy. He advertised for youths who wished to learn accountancy, and charged them £50 premium for twelve months, and he had a dozen of these lads with him at the same time. Ultimately he received a term of imprisonment.

CASE 7.

"G" was formerly a railway clerk, and had not served in a professional accountant's office. On February 24th, 1930, and on subsequent days, he published the following advertisement in the *Manchester Evening News* :—

> "Income Tax Appeals, Accounts, Reclaims, Moderate Fees."

CASE 8.

Income Tax.—"H," an accountant, certified accounts and prepared returns for Income Tax purposes, which were hopelessly out of accord with the books and the facts. He stated that he had only made up the returns from information given to him by the taxpayer, but the taxpayer maintained that "H" had kept the books and was entirely responsible both for books and Income Tax returns. The Incorporated Accountant who was subsequently consulted always suspected that the case was one of collusion, but was never satisfied that "H" had deliberately done wrong, and in any case it was clear that he was incompetent.

The taxpayer and "H" were both in danger of criminal proceedings. The Incorporated Accountant concerned ultimately settled with the Income Tax authorities for the payment of about £75,000, which was many times the amount which had been returned over the period reopened by the Income Tax authorities.

"H," so far as the Incorporated Accountant concerned knows, continues in practice.

CASE 9.

Struck off Roll.—"K," a member of the Institute of Chartered Accountants, whose name was deleted from their Membership Roll by the Disciplinary Committee, has continued in practice as a Professional Accountant.

CASE 10.

Income Tax.—"L," who practised as an Accountant, had a dissatisfied client who consulted a firm of Incorporated Accountants, when it was found that the figures prepared and certified by "L" and submitted for Income Tax purposes were inaccurate, being in excess of the taxable profits. Full fees had been received for this work. Subsequently, a body of General Commissioners for Income Tax purposes refused to accept "L's" signature for future cases, but this did not stop him from soliciting and obtaining accountancy work in adjoining Income Tax districts.

CASE 11.

Criminal.—"M," who practises as an Accountant and Auditor, has at least twice been prosecuted in a Police Court by the Registrar of Friendly Societies, and convicted and fined in connection with offences for the non-filing of returns as liquidator of a co-operative money society, which has been in course of being wound up over a period of some twenty years.

CASE 12.

"N" was sentenced in 1926 to a term of three years' imprisonment for fraudulent trading. On December 24th, 1929, he advertised in a trade paper as follows :—

> "Accountant and Auditor, Income Tax Specialist, Fire Loss Assessor. Companies formed and Capital found. Partnerships and Financial Matters arranged. Legal Advice free. Estates Managed. Business Transfer Agent.
>
> If you have any worries—either business, financial or private—consult me, and I will pull you through them. For Audits, Income Tax, Bankruptcies, Deed of Arrangements, Liquidations, Receiverships and Business Transfer work my charges are lower than others, and I guarantee satisfaction."

CASE 13.

Completely unqualified, "P" set up as an Accountant and combined accountancy with professional photography and was at the same time a professional musician. He got several workmen's clubs into difficulties through furnishing incorrect returns. He was eventually made bankrupt about a year ago.

CASE 14.

Criminal.—"X," a solicitor, was struck off the Rolls for misappropriation of clients' money. After serving a term of imprisonment, he started as an accountant and was again convicted for misappropriation.

CASE 15.

"Z," an unqualified man, solicits business through Press advertisements under the title "Income Tax Demands." He also advertises in his windows as an "Income Tax Specialist," and was so described in the Directory.

APPENDIX H.

THE SOCIETY OF INCORPORATED ACCOUNTANTS AND AUDITORS.

Registration of Scottish Law Agents.

1. The position of the law agents in Scotland prior to 1873 provides a strong precedent bearing upon the position of the Accountancy profession at present. The position prior to 1873 was as follows :—

2. There were :—

(*a*) Writers to the Signet.

(*b*) Solicitors to the Supreme Court.

(*c*) Law Agents, occasionally referred to as "Writers," "Procurators" and "Solicitors."

(*d*) Notaries Public.

3. In a number of instances Societies had been formed, or example in Edinburgh, Glasgow, Aberdeen, and Paisley. At various dates in the 18th and 19th centuries several of these Societies or Faculties of Procurators obtained Royal Charters of Incorporation, while in other districts Societies were formed which were not incorporated.

4. Much confusion arose consequent on members of a Chartered Society of Writers objecting to other Writers, who were not members of the Society, practising in the Sheriff Court of their district. The matter became more difficult as the years went on, and in 1869 or 1870 a Royal Commission was appointed to enquire into the administration of law in Scotland. After various Reports on the Reform of Sheriff Court Procedure, the Royal Commissioners reported in favour of a Register for all Law Agents, and one Examination applicable to candidates for admission as Law Agents in Scotland.

5. Arising out of the Report of the Royal Commission, Lord Advocate Young, afterwards Lord Young, prepared and carried through Parliament in 1873 an Act entitled "An Act to Amend the Law Relating to Law Agents Practising in Scotland."

6. The effect of this Act is that all persons in the legal profession, except Advocates, must pass the prescribed examination, or its equivalent, the Society of Writers to the Signet having to conduct their own examination.

7. It is an interesting analogy that there were both Chartered Law Societies, Incorporated Law Societies, and Unincorporated Law Societies in Scotland prior to 1873, who were left to carry out their own local affairs and to provide widows' funds, etc., although by the passing of the Act their members were placed on one Register.

8. The Law Agents Act of 1873 swept all practitioners of law (except Advocates) into one Register, and left the Chartered Faculties and Societies to carry out their own work. Although there was one Register, no law agent was compelled to become a member of any of the existing Faculties or Societies, although most law agents do join the local Faculty or Society.

9. At a later date another Act was passed which brought "Notaries" finally within the Law Agents Act. No further appointments of Notaries were made, but all law agents were entitled to become Notaries on payment of the appropriate fees and Stamp Duty.

10. It will thus be seen that by a process of inclusion all persons practising any part of the law, except Advocates, were put on a Register which was closed to all others who did not serve an apprenticeship, pass the Examinations, and take out a Certificate bearing the appropriate Stamp Duty.

APPENDIX J.

This Appendix contained the text of a draft Bill based on the Professional Accountants Bill of 1911, *with Amendments designed to meet modern conditions.*

FINANCE BILL.

The following are the provisions of the Finance Bill in so far as they relate to Income Tax, Death Duties and Stamps :—

PART II.

Income Tax.

CHARGE AND RATES OF TAX.

7.—(1) Income Tax for the year 1930-31 shall be charged at the standard rate of 4s. 6d. in the pound, and, in the case of an individual whose total income from all sources exceeds £2,000, at such higher rates in respect of the excess over £2,000 as Parliament may hereafter determine.

(2) All such enactments as had effect with respect to the Income Tax charged for the year 1929-30 shall have effect with respect to the Income Tax charged for the year 1930-31.

(3) The annual value of any property which has been adopted for the purpose of Income Tax under Schedules A and B for the year 1929-30 shall be taken as the annual value of that property for the same purpose for the year 1930-31.

Provided that this sub-section shall not apply to lands, tenements and hereditaments in the administrative county of London with respect to which the valuation list under the Valuation (Metropolis) Act, 1869, is by that Act made conclusive for the purposes of Income Tax.

ALTERATION OF HIGHER RATES OF INCOME TAX FOR 1929-30.

8. Income Tax for the year 1929-30 in respect of the excess of the total income of an individual over £2,000 shall, instead of being charged in pursuance of sect. 1 of the Finance Act, 1929, at the same higher rates as were charged for the year 1928-29, be charged at rates in the pound which exceed the standard rate by the amounts specified in the second column of the following table :—

In respect of the first £500 of the excess ..	1s. 0d.
In respect of the next £500 of the excess ..	1s. 3d.
In respect of the next £1,000 of the excess..	2s. 0d.
In respect of the next £1,000 of the excess..	3s. 0d.
In respect of the next £1,000 of the excess..	3s. 6d.
In respect of the next £2,000 of the excess..	4s. 0d.
In respect of the next £2,000 of the excess..	5s. 0d.
In respect of the next £5,000 of the excess..	5s. 6d.
In respect of the next £5,000 of the excess..	6s. 0d.
In respect of the next £10,000 of the excess..	6s. 6d.
In respect of the next £20,000 of the excess..	7s. 0d.
In respect of the remainder of the excess ..	7s. 6d.

AMENDMENT OF SECT. 40 (2) OF FINANCE ACT, 1927.

9. For the words "one-half" and the words "two hundred and twenty-five pounds" in sub-sect. (2) of sect. 40 of the Finance Act, 1927 (which provides for a further deduction of tax equal to one-half of the tax remaining chargeable after the deductions therein referred to have been made or to one-half of the tax at the standard rate of two hundred and twenty-five pounds, whichever is the less), there shall be substituted respectively the words "five-ninths" and the words "two hundred and fifty pounds."

AMENDMENT AS TO RELIEF IN RESPECT OF LIFE INSURANCE PREMIUMS.

10. Sect. 32 of the Income Tax Act, 1918 (which relates to relief from tax in respect of life insurance

premiums), shall, as amended by the Finance Act, 1920, have effect as if—

(*a*) For the words "three-fourths of the standard rate of tax" and "the standard rate of tax" in sub-sect. (1) there were substituted respectively the words "three shillings in the pound" and "four shillings in the pound";

(*b*) For the words "half the standard rate of tax" in sub-sect. (1) and in paragraph (*c*) of sub-sect. (3) there were substituted the words "two shillings in the pound";

(*c*) For the words "tax at one-fourth of the standard rate" in sub-sect. (9) there were substituted the words "one shilling in the pound."

DEDUCTION OF TAX.

11.—(1) If in any year of assessment a resolution having statutory effect under the Provisional Collection of Taxes Act, 1913, provides for the charging of Income Tax at a standard rate lower than that charged for the previous year, the following provisions shall have effect with respect to deductions in respect of Income Tax by any body corporate, under Rule 19 of the General Rules from payments of interest on any of its securities, or under Rule 20 of the General Rules from payments of preference dividends on any of its shares—

(*a*) Any deduction, which was made before the expiration of one month from the passing of the resolution and which would if the tax had been renewed at the rate imposed for the previous year have been a legal deduction, shall be deemed to be a deduction rendered legal by sect. 2 of the said Act, and the said sect. 2 shall, subject to the provisions of this section, apply accordingly;

(*b*) Any over-deduction to be made good under the said sect. 2 may be made good by a reduction of the amount of tax deducted from the next payment of like nature made on the security or share in question after the passing of the Act imposing the tax for the year:

Provided that the foregoing provision shall not authorise the retention of any part of the amount over-deducted for more than one year from the passing of the Act so imposing the tax;

(*c*) Any amount made good under the said sect. 2 shall—

(i) In the case of an over-deduction which is made good under paragraph (*b*) of this sub-section, enure to the benefit of the person entitled to the payment on the occasion on which the over-deduction is made good; and

(ii) In any other case, enure to the benefit of the person entitled to the security or share in question at the date when the amount is made good,

and not in either case to the benefit of the person entitled to the payment, or to the security or share, at the date when the original deduction was made.

(2) Sub-sect. (2) of sect. 211 of the Income Tax Act, 1918 (which makes provision as to the deduction in any year of Income Tax which has not been deducted before the passing of the Finance Act for the year), shall apply with respect to—

(*a*) Any preference dividend from which a deduction of tax may be made under Rule 20 of the General Rules; and

(*b*) Any payment for or in respect of copyright to which sect. 25 of the Finance Act, 1927, applies; and

(*c*) Any royalty, or other sum, paid in respect of the user of a patent,

as it applies with respect to rent, interest, annuity or any other annual payment.

(3) Where on payment of a dividend (not being a preference dividend within the meaning of this section), Income Tax has, under Rule 20 of the General Rules, been deducted therefrom by reference to a standard rate of tax greater or less than the standard rate for the year in which the dividend became due, the net amount received shall, for all the purposes of the Income Tax Acts, be deemed to represent income of such an amount as would, after deduction of tax by reference to the standard rate last-mentioned, be equal to the net amount received, and for the said purposes there shall in respect of that income be deemed to have been paid by deduction tax of such an amount as is equal to the amount of tax on that income computed by reference to the standard rate last mentioned.

(4) In this section the expression "preference dividend" means—

(*a*) A dividend payable on a preferred share at a fixed gross rate per cent.; or

(*b*) Where a dividend is payable on a preferred share partly at a fixed gross rate per cent. and partly at a variable rate, such part of that dividend as is payable at a fixed gross rate per cent.;

and the expression "share" includes stock.

DEDUCTION NOT TO BE ALLOWABLE FOR PURPOSE OF SUR-TAX IN RESPECT OF INTEREST ON LOANS USED FOR PAYMENT OF PREMIUMS, &C.

12.—(1) In computing for the purposes of sur-tax the total income for any year of an individual who has entered into a contract of assurance, or into a contract similar in character to a contract of assurance, being in either case a contract under which a capital sum is expressed to be payable in the future in return for one or more antecedent payments, no deduction shall be allowed in respect of any interest on any borrowed money which has been applied directly or indirectly to or towards the making of any of the antecedent payments or of any payment made in lieu of any of those payments.

(2) Where the benefit of any such contract as is mentioned in sub-sect. (1) of this section, entered into by any person, has become vested in another person being an individual, the said sub-section shall apply in relation to that individual—

(*a*) As if the contract had been a contract entered into by him; and

(*b*) In a case where the benefit of the contract became vested in him by virtue of an assignment and any payment was made by him in consideration of the assignment, as if that payment were an antecedent payment under the contract; and

(*c*) In a case where, either as being the person in whom the said benefit is vested or by reason of any agreement under or in pursuance of which the said benefit became vested in him, he pays any interest on any borrowed money, as if that money had been applied to the making of an antecedent payment under the contract.

(3) This section shall not apply to—

(a) Interest on money borrowed before April 6th, 1929, unless—

(i) The money was borrowed from an assurance company; and

(ii) The repayment thereof was secured on a policy of assurance; and

(iii) The antecedent payment in question was a payment in respect of that policy of assurance;

(b) Interest on money borrowed mainly on the security of a contingent interest in any property, if the antecedent payment in question was made under a contract entered into in order to provide against the failing of that interest and to serve as additional security for the loan;

(c) Interest on borrowed money applied to or towards the making of antecedent payments, payable at equal intervals of not more than one year under a policy of assurance which—

(i) Provides that those payments are not to cease until the expiration of a period of not less than eight years from the date for the making of the first such payment or earlier death; and

(ii) Assures a capital sum payable either—

(1) On death only; or

(2) On the expiration of not less than nine years from the date for the making of the first payment under the policy or on earlier death;

so, however, that the sum assured on death is not in either case less than ten times the greatest amount of the payments payable in any period of twelve months during the existence of the assurance;

(d) Interest on borrowed money applied to or towards the making of antecedent payments (not being payments such as those specified in the preceding paragraphs of this sub-section) each of which is one of a series of equal periodical payments payable at equal intervals of not more than one year, except so far as such interest exceeds £100 in all.

(4) The provisions of sect. 22 of the Finance Act, 1922, with regard to the delivery of particulars as to deductions claimed to be allowed, shall be extended so as to enable the Special Commissioners to require such particulars with respect to deductions and otherwise as they may consider necessary for the purposes of carrying this section into effect.

(5) In this section—

(a) The expression "interest" includes any sum payable in respect of any borrowed money;

(b) Any reference to money applied to or towards the making of a payment shall be deemed to include a reference to money applied, directly or indirectly, to or towards the replacement of any money so applied.

AMENDMENT OF SECT. 34 OF FINANCE ACT, 1926.

13. The following shall be substituted for sub-sect. (1) of sect. 34 of the Finance Act, 1926:—

"(1) Where in the case of any trade, profession or vocation, or of the occupation of any land occupied solely or mainly for the purposes of husbandry, or of the occupation of any woodlands, an account has or accounts have been made up to a date or dates within the period of three years immediately preceding the year of assessment—

(a) If an account was made up to a date within the year preceding the year of assessment and that account was the only account made up to a date in that year and was for a period of one year beginning either at the commencement of the trade, profession, vocation or occupation, or at the end of the period on the profits or gains of which the assessment for the last preceding year of assessment was to be computed, the profits or gains of the year ending on that date shall be taken to be the profits or gains of the year preceding the year of assessment;

(b) In any case to which the provisions of paragraph (a) do not apply the Commissioners of Inland Revenue shall decide what period of twelve months shall be deemed to be the year the profits or gains of which are to be taken to be the profits of gains of the year preceding the year of assessment."

PROVISION AS TO COMPUTATION OF PROFITS AND GAINS FOR PURPOSE OF CHARGE TO TAX IN TWO YEARS NEXT AFTER THE YEAR IN WHICH TRADE, &C., SET UP OR COMMENCED.

14.—(1) In this section the expression "charged" means charged to income tax in respect of the profits or gains of a trade, profession or vocation, and the expressions "the second year of assessment" and "the third year of assessment" in relation to the charge of income tax in respect of the profits or gains of any trade, profession or vocation mean respectively the year next after and the year next but one after the year of assessment in which that trade, profession or vocation was set up or commenced.

(2) The person charged for the second year of assessment shall be entitled, on giving notice in writing to the surveyor within twelve months after the end of the second year, to require that tax shall be charged for both the second year of assessment and the third year of assessment (but not for one or other only of those years) on the amount of the profits or gains of each such year respectively:

Provided that where such a notice has been given the person charged for the third year of assessment may by notice in writing given to the surveyor within twelve months after the end of that year, revoke the notice given by the person charged for the second year and in such case tax shall be charged for both the second year of assessment and the third year of assessment as if the first notice had never been given.

(3) Where no notice has been given under sub-sect. (2) of this section by the person charged for the second year of assessment, the person charged for the third year of assessment shall be entitled, on giving notice in writing to the surveyor within twelve months after the end of the third year, to require that tax shall be charged for both the second and the third year of assessment (but not for one or other only of those years) on the amount of the profits or gains of each such year respectively.

(4) In the case of the death of a person who, if he had not died, would, under the provisions of this section have become chargeable to income tax for any year, the tax which would have been so chargeable shall be assessed and charged upon his executors or administrators and shall be a debt due from and payable out of his estate.

(5) There shall be made such additional assessments, reductions of assessments or repayments of tax as may in any case be required in order to give effect to the foregoing provisions of this section.

(6) This section shall apply in relation to trades, professions or vocations set up or commenced in the year 1928-29 or any subsequent year of assessment:

Provided that in the case of a trade, profession or vocation set up or commenced in the year 1928-29 the person charged may, instead of giving notice under sub-sect. (2) of this section, give notice under proviso (*a*) to sub-sect. (1) of sect. 29 of the Finance Act, 1926, and shall, if he so gives notice, be entitled to be charged under the said proviso for the year 1929-30.

AMENDMENT OF RULE 11 OF RULES APPLICABLE TO CASES I AND II OF SCHEDULE D.

15. The proviso to paragraph (1) of Rule 11 of the Rules applicable to Cases I and II of Schedule D shall, in relation to cases where the change occurs after April 5th, 1930, have effect as if for the words "three months after the change took place" there were substituted the words "twelve months after the change took place."

PROVISION AS TO RELIEF FROM DOUBLE TAXATION ON CERTAIN PROFITS FROM SALE OF GOODS.

16.—(1) Subject to the provisions of this section if His Majesty in Council is pleased to declare—

(*a*) That any profits or gains from the sale of goods arising directly or indirectly to a person resident in any foreign state or in any part of His Majesty's dominions outside the United Kingdom through an agency in the United Kingdom or to a person resident in the United Kingdom through an agency in any foreign state or in any part of His Majesty's dominions outside the United Kingdom are chargeable both to United Kingdom Income Tax and to Income Tax payable under the law in force in that foreign state or that part of His Majesty's Dominions; and

(*b*) That arrangements as specified in the declaration have been made with the Government concerned with a view to the granting of relief from such double taxation;

then, unless and until the declaration is revoked by His Majesty in Council, the arrangements specified therein shall, so far as they relate to the relief to be granted from United Kingdom Income Tax, have effect as if enacted in this Act, but only if and so long as the arrangements, so far as they relate to the relief to be granted from the Income Tax payable in the foreign state or in the part of His Majesty's dominions, have the effect of law in the foreign state or the part of His Majesty's dominions:

Provided that no arrangements made under this section shall exempt from United Kingdom Income Tax any profits or gains which either—

(i) Arise from the sale of goods from a stock in the United Kingdom; or

(ii) Accrue to a person resident in the United Kingdom; or

iii) Accrue to a person not resident in the United Kingdom directly or indirectly from the sale of goods effected in the United Kingdom through any branch or management in the United Kingdom or through any agency in the United Kingdom where the agent has and habitually exercises a general authority to negotiate and conclude contracts.

(2) Any declaration made by His Majesty in Council under this section shall be laid before the Commons House of Parliament as soon as may be after it is made and, if an address is presented to His Majesty by that House, within 21 days on which that House has sat next after the declaration is laid before it, praying that the declaration may be revoked, His Majesty in Council may revoke the declaration and the arrangements specified in the declaration shall thereupon cease to have effect but without prejudice to the validity of anything previously done thereunder or to the making of a new declaration.

(3) The obligation as to secrecy imposed by any enactment with regard to Income Tax shall not prevent the disclosure to any authorised officer of the foreign state or part of His Majesty's dominions mentioned in the declaration of such facts as may be necessary to enable relief to be duly given in accordance with the arrangements specified in the declaration.

(4) In this section the expression "His Majesty's dominions" includes any territory which is under His Majesty's protection or in respect of which a mandate on behalf of the League of Nations has been accepted by His Majesty and is being exercised by the Government of some part of His Majesty's dominions.

Clause 17 *deals with Exemption from Income Tax of Income arising from office or employment of consul or official agent.*

POWERS OF SPECIAL COMMISSIONERS TO OBTAIN COPIES OF REGISTERS OF SECURITIES.

18.—(1) The Special Commissioners may cause to be served upon any body of persons, whether incorporated or not, a notice requiring them to deliver to those Commissioners within a specified time a copy, certified in such manner as may be specified, of the whole of, or any specified class of entries in, any register containing the names of the holders of any securities issued by them.

(2) On delivery of the copy in accordance with the notice, payment shall be made therefor at the rate of 5s. in respect of each 100 entries.

(3) A notice under this section may be served by post.

(4) Where a notice served under this section is not complied with, the clerk or secretary of the body in question, or if there is no clerk or secretary the person who performs the duties of clerk or secretary, shall, unless he proves that it was not reasonably possible for him to secure compliance with the notice, be liable to a penalty not exceeding £50, and if after judgment has been given against him for that penalty the copy still remains undelivered, he shall be liable to a further penalty of £50 for every day during which the default continues.

(5) In this section the expression "security" includes shares, stock, debentures and debenture stock, and the expression "entry" means, in relation to any register, so much thereof as relates to the securities held by any one person.

PROVISION AS TO COLLECTION OF TAX WHERE APPEAL PENDING AGAINST ASSESSMENT.

19. Notwithstanding that an appeal to the Special Commissioners is pending against an assessment to Income Tax under Schedule D, to super-tax or to sur-tax, such part of the tax assessed as appears to the Special Commissioners not to be in dispute shall be collected and paid in all respects as if it were tax charged by an assessment in respect of which no appeal was pending, and on the determination of the appeal any balance of tax

chargeable in accordance with the determination shall be paid, or any tax overpaid shall be repaid, as the case may require.

AMENDMENT OF LAW RELATING TO SUMMARY RECOVERY OF INCOME TAX.

20.—(1) All or any of the sums due in respect of Income Tax from any one person and payable to any one collector (being sums which are by law recoverable summarily) may, whether or not they are due under one assessment, be included in the same complaint, summons, order, warrant or other document required by law to be laid before justices or to be issued by justices, and every such document as aforesaid shall, as respects each such sum, be construed as a separate document, and its invalidity as respects any one such sum shall not affect its validity as respects any other such sum.

(2) Where the Income Tax due under any assessment is payable by instalments and the sum for the time being due and payable in respect of any of those instalments is less than £50, that sum shall be recoverable summarily under sect. 30 of the Finance Act, 1924, notwithstanding that the total sum for the time being due and payable under the assessment is equal to or exceeds £50, and it is hereby declared that the reference in sect. 22 of the Finance Act, 1928, to the provisions of the Income Tax Acts includes a reference to this subsection.

(3) If a collector who has commenced summary proceedings for the recovery of any income tax dies or otherwise ceases for any reason to hold office as such, the proceedings may be continued in his name by any of his successors.

LIMITATION ON AMOUNT OF SUR-TAX PAYABLE IN RESPECT OF TOTAL INCOME OF INDIVIDUAL DYING WITHIN YEAR OF ASSESSMENT.

21.—(1) The amount of sur-tax payable in respect of the total income of an individual for the year of assessment in which he dies shall not exceed the amount of sur-tax which would have been payable if Income Tax had been chargeable for that year at the same rates as for the year preceding that year, and all such adjustments and repayments of tax shall be made as may be required in order to give effect to the provisions of this section.

(2) This section shall apply as respects sur-tax charged for the year 1929-30 or for any subsequent year.

VALUATION FOR PURPOSES OF SCHEDULES A AND B TO BE MADE QUINQUENNIALLY IN GREAT BRITAIN.

22.—(1) There shall be a quinquennial revaluation of all properties in Great Britain in respect of which Income Tax is chargeable under Schedules A and B, and, accordingly, the annual values of all such properties shall be determined afresh for the purposes of assessment for the year 1931-32, and for each fifth succeeding year of assessment, in accordance with the enactments and rules applicable to the said Schedules respectively as modified by the next succeeding section.

(2) A year of assessment for which a revaluation of properties is directed by this section to be made is in this Act referred to as "a year of revaluation," and may be so referred to in any subsequent enactment relating to Income Tax and the year preceding the year of assessment is in this Act referred to as "the preparatory year."

(3) The annual value of any property which has been adopted for the purpose of Income Tax under Schedules A and B for any year of assessment shall be taken as being the annual value of that property for the same purpose for the next year of assessment, unless that year is a year of revaluation.

Clauses 23 and 24 deal with the Machinery for the above valuation.

APPOINTMENT OF GENERAL COMMISSIONERS IN SCOTLAND.

25.—For paragraph (*e*) of sub-sect. (6) of sect. 59 of the Income Tax Act, 1918 (which relates to the appointment of General Commissioners) there shall be substituted the following paragraph:—

"(*e*) In Scotland, the council of any county and the Lord Provost and Bailies whose area of municipal jurisdiction comprises the division of the Ancient Royalty of Edinburgh, or the division of the City of Glasgow, shall, whenever required so to do by notice from the Commissioners of Inland Revenue addressed to the County Clerk or the Town Clerk, as the case may be, choose by a majority, and set down in writing in order determined by the majority, the names of a sufficient number of such persons resident in the division specified in the notice aforesaid as are qualified, and are fit and proper persons, to act as General Commissioners for the said division; and those persons shall in the order in which they are set down in the list, subject to the limit as to number hereinbefore prescribed, be General Commissioners, or be added to the list to supply vacancies, as the case may require.

"In the case of a county council, the persons to act as General Commissioners shall be chosen at the first general meeting of the council which is summoned after the receipt by the County Clerk of the notice aforesaid, and the notice summoning that meeting shall specify the choice of persons to act as General Commissioners as an item of business to be transacted at that meeting.

"In the case of the Ancient Royalty of Edinburgh and the City of Glasgow, respectively, the Town Clerk shall convene a special meeting of the Lord Provost and Bailies for the purpose of choosing persons to act as General Commissioners, and such meeting shall be held not later than three months after the receipt by the Town Clerk of the notice from the Commissioners of Inland Revenue."

ANNUAL VALUE OF PROPERTY IN LONDON FOR PURPOSES OF INCOME TAX.

26.—(1) As from April 6th, 1931, sect. 45 of the Valuation (Metropolis) Act, 1869, shall cease to have effect in so far as it provides that the valuation list for the time being in force shall be conclusive evidence of values for the purposes of the Income Tax Acts, and as from the said date the annual value of any property in the administrative county of London shall, for the purposes of those Acts and subject to the provisions of this Act, be ascertained in accordance with the enactments applicable in the case of properties situate elsewhere in England.

(2) Notwithstanding anything in this section or any repeal effected by this Act, any amount paid by way of Income Tax in respect of the year 1930-31 or any previous year of assessment shall be subject to adjustment under sect. 44, or paragraph (10) of sect. 47 of the Valuation (Metropolis) Act, 1869, in the like cases and manner and with the like consequences as if all the provisions of the Act had continued in force.

Clause 27 deals with inter-departmental matters.

PART III.

Estate Duty.

AMENDED RATES OF ESTATE DUTY.

28. The scale set out in the Second Schedule to this Act shall in the case of persons dying after the commencement of this Act be substituted for the scale set out in the Fourth Schedule to the Finance Act, 1925, as the scale of rates of estate duty :

Provided that, where an interest in expectancy within the meaning of Part I of the Finance Act, 1894 (in this Part of this Act referred to as "the principal Act") in any property (other than property deemed to pass on a death by virtue of the provisions of the next succeeding section but one of this Act) has, before April 14th, 1930, been *bona fide* sold or mortgaged for full consideration in money or money's worth, then no other duty on that property shall be payable by the purchaser or mortgagee when the interest falls into possession than would have been payable if this Part of this Act had not passed, and in the case of a mortgage any higher duty payable by the mortgagor shall rank as a charge subsequent to that of the mortgagee.

ESTATE DUTY WHERE PROPERTY OF DECEASED HAS BEEN TRANSFERRED TO PRIVATE COMPANY.

29.—(1) On the death after the commencement of this Act of any person who has, whether before or after that date—

(i) Made to a private company, whether directly or indirectly, any such transfer as is specified in sub-sect. (2) of this section ; and

(ii) Received within the prescribed period out of the resources or at the expense of the company, whether directly or indirectly, any such benefit as is so specified,

there shall be computed for each accounting year falling wholly or partly within the prescribed period the proportion which the total value of the benefits so received in the accounting year bears to the total income of the company in the accounting year, and, if any of the proportions so computed exceed 30 per cent., there shall for the purposes of estate duty be deemed to pass on the death (over and above any other property which passes or is deemed to pass thereon), such sum of money not exceeding the value of the total assets of the company as bears to the said value the greatest of the said proportions :

Provided that if the total assets of the company comprise any property which is by virtue of the next succeeding section deemed to pass on the death, there shall in computing the said proportions and ascertaining the sum of money, if any, which is deemed to pass by virtue of this section, be subtracted—

(*a*) From the value of the total assets of the company, the value of the said property as ascertained for the purposes of the next succeeding section ;

(*b*) From the total income of the company in every accounting year and also from the total value of the benefits received by the deceased therein, a sum equal to so much of that total income as is ascribable to—

(i) That property ; or

(ii) In a case where that property is deemed to pass as being or representing the proceeds of any other property, that other property or the proceeds thereof or any property representing those proceeds.

(2) The transfers referred to in the preceding sub-section are transfers, whether made for consideration or not, of property or any interest in property other than—

(*a*) *Bona fide* sales for full consideration ;

(*b*) Transfers incidental to the transfer of a *bona fide* business, not being a business which substantially consists in holding, managing, developing or dealing in land ;

(*c*) Transfers of property which by virtue of the next succeeding section is deemed to pass on the death :

and the benefits so referred to are—

(*a*) Any payments made, whether for consideration or not, to or for the benefit of the deceased, other than *bona fide* dividends in respect of shares in, and *bona fide* interest on money lent to, the company ;

(*b*) Any right in or enjoyment of any land ;

and for the purposes of this section the value of a benefit consisting of any right in or enjoyment of land shall be computed by reference to the annual value of that land as ascertained for purposes of Income Tax.

(3) In ascertaining for the purposes of this section the total income for any accounting year of a company, the income of the company from any source shall be computed in accordance with the provisions of the Income Tax Acts relating to the computation of income from such a source, subject to the modification that the computation shall be made by reference to the actual income for the accounting year, and not by reference to the income for any other period :

Provided that—

(*a*) No deduction shall be made in respect of any payment made to or for the benefit of, or any other benefit accorded to, the deceased except *bona fide* dividends on preference shares in, and *bona fide* interest on money lent to, the company ; and

(*b*) Subject to the provisions of the last preceding paragraph, deductions shall be made for—

(i) Income Tax paid or borne by the company ; and

(ii) Interest on money lent to the company ; and

(iii) Dividends on preference shares ; and

(iv) Rents, royalties and other payments by the company on which Income Tax is deducted at source.

(4) Where the accounting years falling wholly or partly within the prescribed period do not coincide with the periods for which the accounts of the company are made up, the Commissioners of Inland Revenue may for the purpose of ascertaining the total income of the company for an accounting year divide any of the said periods and make such apportionments and aggregations of the income of the company as may be necessary, so, however, that any apportionments so made shall be made in proportion to the number of months or fractions of months in the respective periods for which the apportionment is made.

(5) In this section the expression "accounting year"—

(*a*) In relation to a company which at the time of the death of the deceased person has made up accounts for a period of twelve months ending

on a date within the twelve months next preceding the death, means a period of twelve months ending either on that date, or on the same day of the year in any previous year; and

(*b*) In relation to any other company, means a period of twelve months ending on such date within the twelve months next preceding the death as may be determined by the Commissioners of Inland Revenue or on the same day of the year in any previous year; and

the expression "the prescribed period" means the period which—

(*a*) Ends on the date on which the last accounting year ends; and

(*b*) Begins three years before that date, or, if the company in question was not then in existence, on the day on which the company came into existence.

ESTATE DUTY WHERE LIFE-INTEREST IS TRANSFERRED TO PRIVATE COMPANY.

30.—(1) Where at any time before the death of a person dying after the commencement of this Act any property in which the deceased had at any time an estate or interest limited to cease at his death, is transferred, whether directly or indirectly, to or for the benefit of any private company, then unless —

(*a*) The property was *bona fide* sold to the company for full consideration in money paid by the company at the time of the sale, and no part of that money has been invested in the purchase from the company by or for the benefit of the deceased of an annuity or other right to a periodical payment or in the purchase by or for the benefit of the deceased of shares in or debentures of the company; or

(*b*) The deceased person had at least three years before his death relinquished all interest in the property and had not at any time within those three years the possession or enjoyment of any part thereof or of any benefit secured to him, whether by contract or otherwise, in relation to the relinquishment of his interest therein, and was not at any time within the said period in receipt of or entitled to any payment from the company,

the property shall be deemed for the purposes of estate duty to pass on the death in like manner as if the estate or interest of the deceased therein had continued until the death:

Provided that where the property or any part thereof has been *bona fide* sold or exchanged by the company during the deceased's lifetime for full consideration in money or money's worth, the property or so much thereof as has been so sold or exchanged shall not be deemed to pass on the death, but in lieu thereof the proceeds of the sale or exchange or, as the case may be, the property which, at the time of death, represents those proceeds shall be deemed so to pass.

(2) In determining the value of any property deemed to pass under this section, there shall be deducted from the principal value thereof—

(*a*) So much of any sum borrowed by the company as has been applied by the company in the improvement of the property, and has not at the death been repaid by the company;

(*b*) A sum which bears to the principal value of any shares in and debentures of the company (other than debentures in respect of which an allowance has been made under paragraph (*a*) of this sub-section) on which estate duty is paid in connection with the death, the same proportion as the value of the property at the date of death bears to the value of all the property of the company at that date.

CHARGE OF DUTY AND POWERS OF RECOVERY.

31.—(1) The estate duty payable in respect of any property which is by virtue of the provisions of the two last preceding sections deemed to pass on the death of any person shall be a debt due from the company concerned to His Majesty, but, notwithstanding anything in the principal Act, shall not be a charge on any of the assets of the company.

(2) The company and every director thereof shall be accountable for any such duty and shall, for the purpose of raising and paying that duty, have all the powers conferred on accountable persons by the principal Act, and if the duty or any part thereof is paid by the executor of the deceased it shall be repaid to him by the company.

(3) Where on the death of any person a claim for duty arises by virtue of any of the provisions of the two last preceding sections, the company concerned shall notify the Commissioners of Inland Revenue of the death of the said person, and any company wilfully failing to give such a notification shall be liable to a penalty of £500.

(4) The Commissioners of Inland Revenue may, for the purposes of carrying the two last preceding sections of this Act into effect, require any private company to furnish to them within two months copies of such of the balance-sheets and profit and loss or income and expenditure accounts, and such other particulars, as the Commissioners may require, and if any company fails to comply with the provisions of this sub-section—

(i) The company shall be liable to a penalty of £500, and every director, manager, secretary or other officer of the company who knowingly and wilfully authorises or permits the failure shall be liable to the like penalty; and

(ii) An order may be made against all or any of the directors of the company requiring them to comply with the requirements of the Commissioners in like manner as an order may be made against any person who is accountable for succession duty or legacy duty to deliver an account and the provisions of sect. 55 of the Crown Suits, &c., Act, 1865, and in Scotland the provisions of sect. 47 of the Succession Duty Act, 1853, shall apply accordingly, subject to the necessary modifications.

VALUATION OF SHARES IN PRIVATE COMPANIES.

32.—(1) Where there pass on the death of any person dying after the commencement of this Act, any shares (not being preference shares) in any private company, then if either—

(*a*) There is deemed by virtue of the provisions of this Part of this Act to pass on the death a sum of money proportional to the value of the total assets of the company; or

(*b*) The control of the company was immediately before the death in the hands of the deceased;

the principal value of those shares for the purposes of estate duty shall not be ascertained in the manner provided by sub-sect. (5) of sect. 7 of the principal Act, but

shall be ascertained by reference to the value of the total assets of the company:

Provided that in cases falling within paragraph (*a*) of this sub-section, the value of the total assets of the company shall, for the purposes of this section, be deemed to be reduced by the sum of money therein referred to.

(2) For the purposes of this section the control of a company shall be deemed to be in the hands of a person if—

(*a*) By virtue of the shares which he controls he has control of more than half the voting power of the company; or

(*b*) He has by virtue of the provisions in the Memorandum of Association or Articles of the company, or other instrument whatsoever constituting or defining the constitution of the company, the powers of a board of directors or of a governing director, or powers of the like nature; or

(*c*) Has otherwise the right to receive or the power to dispose of more than half of the income of the company.

INTERPRETATION.

33. In the foregoing provisions of this Part of this Act the following expressions have the meanings hereby respectively assigned to them, that is to say—

"Private company" includes any body corporate wheresoever incorporated, which either—

(i) Is so constituted as not to be controlled by its shareholders or by any class thereof; or

(ii) Has not issued to the public more than half of the shares by the holders whereof it is controlled:

"Share" includes any interest whatsoever in a company by whatsoever name it is called analogous to a share, and the expression "shareholder" shall be construed accordingly:

"Preference share" means a share the holder whereof is entitled to a dividend at a fixed rate only;

"Value of the total assets of the company" means the principal value, ascertained in accordance with the provisions of sub-sect. (5) of sect. 7 of the principal Act, of all the assets of the company as a going concern, including goodwill, after deducting therefrom—

(i) The par or redemption value, whichever is the greater, of any debentures, debenture stock and preference shares of the company;

(ii) All debts of the company incurred or created *bona fide* for consideration in money or money's worth;

(iii) The amount of any reserve fund separately invested which is *bona fide* intended to be applied in payment of pensions to employees and in no other manner.

DEATH DUTIES ON PROPERTY SUBJECT TO AN ANNUITY WHICH HAS BEEN SURRENDERED.

34. In the case of a person dying after the commencement of this Act, property which was subject to an annuity or other periodical payment limited to cease on the death of the deceased shall, for the purposes of the principal Act be deemed to pass on the death of the deceased to the extent of the benefit which would accrue from the cesser of that annuity or other payment notwithstanding that the annuity or other payment has been surrendered, assured, divested or otherwise disposed of during the lifetime of the deceased, whether for value or not, to or for the benefit of the person entitled to the property, unless the surrender, assurance, divesting or disposition was *bona fide* made or effected three years before the death of the deceased and the person entitled to the annuity or other payment was not at any time within that period in receipt of any substituted annuity or payment secured, whether by contract or otherwise, to him in return for the surrender, assurance, divesting or disposition.

EXEMPTION FROM DEATH DUTIES OF OBJECTS OF NATIONAL, SCIENTIFIC, HISTORIC OR ARTISTIC INTEREST.

35.—(1) Where there pass on the death of a person dying after the commencement of this Act any objects to which this section applies, the value of those objects shall not be taken into account for the purpose of estimating the principal value of the estate passing on the death or the rate at which estate duty is chargeable thereon, and those objects shall, while enjoyed in kind, be exempt from death duties.

(2) In the event of the sale of any objects to which this section applies, death duties shall, subject as hereinafter provided, become chargeable on the proceeds of sale in respect of the last death on which the objects passed and, as respects estate duty, at the rate appropriate to the principal value of the estate passing on that death upon which estate duty is leviable, and with which the objects would have been aggregated if they had not been objects to which this section applies and the person by whom or for whose benefit the objects were sold shall be accountable for the duties and shall deliver an account for the purposes thereof within one month after the sale:

Provided that death duties shall not become chargeable as aforesaid if the sale is to the National Gallery, British Museum, or any other similar national institution, any University, county council or municipal corporation in Great Britain, or the National Art Collections Fund.

(3) The objects to which this section applies are such pictures, prints, books, manuscripts, works of art, scientific collections or other things not yielding income as on a claim being made to the Treasury under this section appear to them to be of national, scientific, historic or artistic interest.

(4) Nothing in this section shall affect the power of the Treasury under sub-sect. (2) of sect. 15 of the principal Act to remit death duties chargeable in respect of any objects to which that section applies.

PART IV.

Stamps.

36. Sect. 55 of the Finance Act, 1927 (which grants relief from capital and transfer stamp duty in cases of reconstruction or amalgamation of companies) shall have effect and shall be deemed always to have had effect as if after the words "in respect of which stamp duty has been paid" in sub-sect. (1) A (i) of the said section there were inserted the words "or relief has been allowed "under the provisions of this section."

ABOLITION OF STAMP DUTY ON COPIES AND EXTRACTS OF PROBATE, LETTERS OF ADMINISTRATION AND CONFIRMATION.

37. The stamp duty chargeable on copies or extracts, attested or in any manner authenticated, of or from the probate or probate copy of a will or codicil or of or from any letters of administration or confirmation of a testament shall cease to be chargeable.

EXEMPTION FROM STAMP DUTY ON RECEIPTS.

38. The following exemption shall be substituted for exemptions numbered (14) and (15) under the heading "Receipt given for, or upon payment of, money amounting "to two pounds or upwards," in the First Schedule to the Stamp Act, 1891, as extended by sect. 8 of the Revenue Act, 1898 :—

(14) Receipt given by or on behalf of an officer of a county court, or in Scotland by or on behalf of a Sheriff Clerk, for money received by him from a party to any proceedings in Court.

(14(A)) Receipt given in respect of any sum payable as compensation under the Workmen's Compensation Act, 1925.

(15) Receipt given by or on behalf of a clerk to justices or a magistrate or other person authorised to receive such payment, or in Scotland, any clerk of court of any Court of Summary Criminal Jurisdiction as defined by the Summary Jurisdiction (Scotland) Act, 1908, or other authorised person, for money received in respect of a fine or other sum ordered to be paid by a Court of Summary Jurisdiction, or as bail.

REMISSION OF STAMP DUTY IN RESPECT OF CAPITAL OF CERTAIN COMPANIES.

39.—(1) The stamp duty payable under sect. 112 of the Stamp Act, 1891 (which section imposes duties on the capital of limited liability companies), on the statement of the amount which was to form the nominal share capital of Imperial and International Communications Limited, and the stamp duty payable under that section on the statement of the increase of the registered capital of that company which was effected by the resolution of the company passed on December 19th, 1929, are hereby remitted, and any sums paid in respect thereof shall be repaid to the company.

(2) The said sect. 112 shall not apply to the Bankers Industrial Development Company Limited, and any sums paid under that section in respect of that company shall be repaid to the company.

Incorporated Accountants' Golfing Society.

Members of the Incorporated Accountants' Golfing Society spent an enjoyable day at the Addington Golf Club on May 1st when the Spring Meeting of the Society was held.

In the competition for the prize presented by Mr. B. L. Clarke-Lens, Mr. T. F. Grundy came first with a score of 93—20=73. Mr. B. L. Clarke-Lens won the second prize, presented by the Society, with a score of 91—13=78.

The meeting took place in excellent weather, and in the afternoon a four-ball match against bogey was played. This resulted in a tie between Mr. Henry Morgan and Mr. Martin Jenkins and Mr. T. F. Grundy and Mr. A. W. MacGowan, both couples being two up.

There was an excellent attendance, amongst those present being Mr. W. McIntosh Whyte (captain), Mr. Henry Morgan, Mr. W. H. Payne, Mr. B. L. Clarke-Lens, Mr. T. F. Grundy, Mr. F. Martin Jenkins, Mr. A. W. MacGowan, and the Joint Hon. Secretaries, Mr. A. T. Keens and Mr. E. E. Edwards.

Applications for membership should be sent, accompanied by the annual subscription of 10s., to the Joint Honorary Secretaries at Incorporated Accountants' Hall, Victoria Embankment, London, W.C.2.

District Societies of Incorporated Accountants.

BELFAST.

ANNUAL MEETING.

The annual general meeting of the Belfast and District Society of Incorporated Accountants and Auditors was held on April 28th.

In presenting the report for the year, the Chairman, Mr. Fred Allen, F.S.A.A., stated that the membership was now 180, made up of eighteen Fellows, 60 Associates, and 102 Student Members. Fifty-three candidates entered for the Society's examinations held in Belfast, and of these 28 succeeded in passing.

The following office bearers were elected for the ensuing year :—President, Mr. James Baird ; Vice-President, Mr. J. D. Thompson ; Hon. Secretary and Treasurer, Mr. Herbert McMillan ; Hon. Auditor, Mr. Charles Magee ; Committee, Mr. J. H. Allen, Mr. E. A. Anderson, Mr. Robert Bell, Mr. Norman Booth, Mr. James Boyd, Mr. D. T. Boyd, Mr. Samuel Boyle, Mr. A. S. Courtney, Mr. J. S. Lewis, Mr. Fred Allen, and Mr. J. S. White.

Report.

The following are extracts from the annual report submitted at the meeting :—

In presenting the report on the work of the Society for the year ended March 31st, 1930, your Committee wish to place on record their appreciation of the services rendered to the Society by the late Mr. A. H. Oughton, and of the sad loss that the Society has sustained through his death.

MEMBERSHIP.

The total number of members is 180, consisting of eighteen Fellows, 60 Associates, and 102 Student Members, as compared with a total membership of 132 last year.

EXAMINATIONS.

Twenty-eight candidates entered for the May examination of the Parent Society at Belfast and 25 in November. The following candidates were successful in passing the Final examination :—Mr. H. V. Olver, Mr. W. H. Townsend, Mr. P. S. Bass, and Mr. Joseph Dornan.

PRESIDENT'S VISIT.

On February 10th the President of the Society (Mr. Henry Morgan), accompanied by Mrs. Morgan and Mr. E. E. Edwards (Assistant Parliamentary Secretary), paid a visit to Belfast. The President addressed the members on several matters of considerable interest to the Society.

ANNUAL DINNER.

The Annual Dinner of the District Society was held at Belfast on February 10th.

STUDENTS' SOCIETY.

The Students' Society has had a most successful year's working. The President (Mr. D. T. Boyd), the Vice-President (Mr. Samuel Boyle), and the Hon. Secretary (Mr. L. S. McCullough), assisted by a Committee of Student Members, organised a series of Lectures, which were well attended by Student Members. Mr. James Baird presented a prize for the best Essay on the subject of "The Economic Effect of Trade Unions on Industry and Commerce" for Final examination students, and Mr. D. T. Boyd presented a prize for the best Essay on the subject of "The Verification of Assets and Liabilities in the Balance Sheet of a Limited Company" for Intermediate examination students. The prize for

the Final Students was won by Mr. S. A. Martin, and the Intermediate Students' prize by Mr. J. W. Baird. Arrangements have been made with the Principal of the Municipal College of Technology, Belfast, and special classes for Accountancy Students are now in operation covering the syllabus of the Society's examinations.

LECTURES.

During the year the following lectures were given :—

"Procedure at Examinations and Discussion of Problems," by Mr. D. T. Boyd, B.(Com.)Sc., A.S.A.A., and Mr. Herbert McMillan, A.S.A.A.

"A Student's Introduction to Economics," by Professor H. O. Meredith, O.B.E., M.A., M.Com.

"The Abuse of Limited Liability in Company Flotation," by Mr. Robert Bell, F.S.A.A.

"Income Tax," by Mr. E. A. Anderson, F.S.A.A.

Joint Meeting with Chartered Accountant Students' Society and Solicitors' Apprentices Debating Society.

Reading of Prize Essays.

During the year your Committee were asked by the Government of Northern Ireland to express their views on certain new registration affecting the accountancy profession and commerce generally, and the Sub-Committee appointed for this purpose devoted considerable time to the preparation of a schedule of suggested alterations and improvements in the proposed Bill.

Your Committee have watched with interest the steps that have been taken towards the registration of accountants in England and in the Free State, and in this connection many members of your Committee attended meetings held in Dublin, when the position was fully discussed with representatives of the Parent Body and the Committee of the Irish Branch.

MANCHESTER.

The Manchester and District Society of Incorporated Accountants and the Manchester and District Branch of the Chartered Institute of Secretaries held a joint luncheon at Manchester on April 30th, when an address was given by Mr. B. Mouat Jones, Principal of the Manchester College of Technology. Mr. Jones dealt with the urgent need of better provision for technical education to enable British industries to compete on equal terms with their rivals in foreign countries. He urged especially the claims of the Manchester College of Technology, and explained that there was an important scheme on hand for its extension to meet present-day requirements.

SOUTH WALES AND MONMOUTHSHIRE.

(CARDIFF AND DISTRICT STUDENTS' SECTION.)

The annual general meeting was held on May 15th, under the chairmanship of Mr. Ivor Davies, A.S.A.A. The report submitted showed that the work of the past session had been one of the most successful for many years. In addition to a very full syllabus of lectures and Prize Essay Scheme meetings, social and educational functions were held, which included the annual dinner and a visit to Bristol.

The election of officers and Committee for the forthcoming session resulted as follows :—Chairman and Students' Representative on the District Society Committee, Mr. E. E. Pearce, A.S.A.A.; Vice-Chairman, Mr. K. V. Stephens; Librarian, Mr. L. J. Muller; Hon. Secretary, Mr. J. Alun Evans. Committee: Mr. Ivor Davies, A.S.A.A., Mr. T. W. M. Bowen, Mr. D. Curitz, Mr. L. J. Muller, Mr. E. V. C. Nicholls, Mr. O. J. Thomas, and Mr. K. S. Williams.

Society of Incorporated Accountants and Auditors.

South African (Eastern) Division.

ANNUAL MEETING.

The second annual general meeting of the South African (Eastern) Division was held at 378, Smith Street, Durban, on March 21st.

There were present :—Mr. H. E. Mattinson (Acting Chairman), Mr. H. O. Berend, Mr. A. H. Berend, Mr. Jas. Craib, Mr. G. E. Noyce, Mr. W. J. A. Campbell, Mr. G. L. Horne, Mr. E. S. Crosoer, Mr. J. D. Cunningham, and Mr. W. R. Fraser (Hon. Secretary).

Apologies for absence were received from Mr. W. J. O'Brien, Mr. A. E. Hurley, and Mr. T. C. Mitchell.

The balance-sheet and revenue and expenditure account, which had been available for the inspection of members, together with the auditor's report, were read by the Honorary Secretary. The report of the Committee for the year ended December 31st, 1929, was also read by the Honorary Secretary.

Mr. Mattinson, in formally moving the adoption of the accounts and report of the Committee, stated that as he was only acting chairman he had nothing further to add to the report. The adoption of the accounts and report was seconded by Mr. H. O. Berend and carried unanimously.

On the motion of Mr. W. J. A. Campbell, seconded by Mr. A. H. Berend, the retiring auditor, Mr. F. E. Osborn, was re-elected auditor for the ensuing year.

Mr. Douglas Mackeurtan, Mr. G. E. Noyce, and Mr. A. E. Hurley, the retiring members of the Committee, were re-elected as there were no other nominations.

BENEVOLENT FUND.

On the motion of Mr. H. O. Berend, duly seconded by Mr. J. D. Cunningham, it was unanimously resolved to donate the sum of £15 15s. to the Benevolent Fund of the Society in London.

HONORARY SECRETARY.

On the motion of Mr. A. H. Berend, duly seconded by Mr. G. E. L. Horne, the meeting unanimously resolved to vote to the Honorary Secretary an honorarium of twenty-five guineas for the work he had done during the last two years. The Honorary Secretary briefly thanked the members.

STUDENTS' SOCIETY.

Mr. G. E. Noyce addressed the meeting with reference to the proposal to form a Students' Society, stating that he had made certain inquiries amongst articled clerks and others but that he had not met with a wide response; he had, therefore, no concrete proposal to put before the meeting, but would like an expression of opinion from the other members present. A discussion then took place relating to this matter, and on the motion of Mr. J. D. Cunningham, seconded by Mr. G. E. L. Horne, it was resolved that a Students' Society be formed, and that the Committee as soon as possible should appoint a provisional committee for this Society. It was further resolved that meetings take place once a quarter.

VOTE OF THANKS.

A unanimous vote of thanks was passed to Mr. H. E. Mattinson for taking the chair at the meeting, and also to Mr. W. Murray Smith and Mr. Berend for so kindly allowing the meeting to be held in their board room.

Report.

EXAMINATIONS.

The usual examinations were held in May and November, and the entries and results are as follows :—

	Preliminary.	*Intermediate.*	*Final.*
Sat	1	10	7
Passed	1	10	1

It is a matter of great regret both to your Committee and to the Examination and Membership Committee of the Council in London that so many candidates failed in the Final examination. At the November examination in South Africa, 20 candidates sat, and only one was successful. The accountancy group of questions seemed to be the fatal papers. Several finalists obtained a fairly good aggregate number of marks, but failed to secure the necessary minimum of marks in the accountancy group of subjects, which is the *sine qua non* to secure a pass. Your Committee feels that its members should impress upon their articled clerks the fact that a substantial improvement in the standard of knowledge required to pass the examination should be made.

MEMBERSHIP.

The total number of members over whom your Committee has jurisdiction was, at December 31st, 1928, 41. One new member has been elected during the year, and two members have been placed on your Committee's register from another centre, while two have been transferred to the Western Committee register, making a total membership, as at December 31st, 1929, of 42, made up as follows :—19 Fellows, 23 Associates.

SOCIETY OF INCORPORATED ACCOUNTANTS AND AUDITORS *versus* JESSE EWART POWELL.

As no doubt many of you are aware, a company, styling itself "The Institute of Accountants of South Africa, Limited," was registered in South Africa on May 12th, 1928, under the Companies Act No. 46 of 1926. Under this company's Articles a Fellow was allowed to designate himself "Incorporated Accountant (S.A.)" or use the initials "F.I.A. (S.A.)," and an Associate was allowed the title of "Associate Incorporated Accountant" or the initials "A.I.A. (S.A.)." Mr. J. E. Powell was a foundation member and a Fellow of this company. He styled himself both on his letter paper and on his office doors as Incorporated Accountant (S.A.). The Western Committee, on behalf of the Society, brought an action against Powell seeking an interdict to restrain Powell from holding himself out as being an Incorporated Accountant (S.A.) or from using the designation "Incorporated Accountant" alone or in conjunction with any other word or description. The case was tried before Mr. Justice Sutton in the Supreme Court (Cape Provincial Division), and in a lengthy judgment the learned Judge granted an interdict with costs against Powell. This judgment is of the utmost importance to Incorporated Accountants in South Africa, as it definitely establishes our title in South Africa—a title which is honoured and established throughout the world, and one which gives us a status in the profession second to none.

STUDENTS' SOCIETY.

Under the Committee's bye-laws there is power to form a Students' Society, and your Committee have given the question of the formation of such a society their consideration, and are still investigating the position. It is felt that such a society would prove of material benefit to students and also, no doubt, to members themselves. It is hoped to be able to report further relating to this matter at the annual meeting.

BENEVOLENT FUND.

Last year, in general meeting, you voted a sum to this Fund, and you will again be asked, if you think fit, to donate a further amount this year. As you no doubt are already aware, members under the jurisdiction of this Committee are entitled to receive benefits from the Fund in London if such occasion should arise. Your Committee would also commend to the earnest consideration of each of you the very laudable objects of this fund, and appeal to you for subscriptions. The annual subscription is only 10s. 6d., and the Honorary Secretary will be only too pleased to receive subscriptions for remittance to London, or, if you desire, subscriptions can be sent direct to London.

Scottish Notes.

(FROM OUR CORRESPONDENT.)

Edinburgh Chamber of Commerce.

The annual report of the directors of the Edinburgh Chamber of Commerce stated that trade and industry during the past year were far from satisfactory. The directors considered it their duty to protest against the continuing growth of national expenditure and against the overpowering and ever-increasing burden of taxation. They could not help feeling, however, that such protests by Chambers of Commerce are of little use in the absence of power to exert political pressure in the interests of trade and industry. Agriculture affords at the moment an example of united action and singleness of purpose from landowner to ploughman, with the result that politicians are being forced to recognise the needs of that industry. If a similar spirit of unity could be created between employers and employed in our manufacturing industries it might be possible to resist the exploitation, for political schemes, of this hard working section of the population. Capital and labour united would be the greatest political factor in the nation's prosperity. Divided into two antagonistic sections, they are the prey of spendthrift Governments. In the absence of any political power wielded by trade and industry, not only has legislation failed to help industry, but most of the legislation in recent years has interfered with and handicapped industrialists in their efforts to recover lost trade. The wage-earners in our exporting industries, in their own low wages, carry the burden of the high wages paid in the sheltered occupations, which are not exposed to foreign competition. The main cause of the depression in our industries is our inability to compete in the world's markets. Since the war other countries have developed manufacturing industries, and we are faced with competition from those whose production costs are lower than ours. Our production costs must therefore be reduced. The Balfour Report has shown that some of the reasons for our inability to compete are out-of-date equipment and a low standard of efficiency in the control of industry. There is need for constant progress in industrial organisation, elimination of Trade Union restrictions, a new spirit of co-operation between employer and employed, and, above all, a drastic reduction in State expenditure. Any further expenditure on schemes of social reform, however desirable these schemes may be, cannot be justified in industry's present depressed condition.

Hire-Purchase and Crime.

The first annual report of the newly-constituted Prisons Department for Scotland was issued last month. With reference to hire-purchase, the report stated that there was a notable increase in the number of civil prisoners

admitted, the number being 280, as compared with 58 in 1928, and the average daily number rose from one in 1928 to four in 1929. Of the total, 273 were received into Glasgow (Duke Street) Prison. The Governor of that prison reports the increase as due to the growth of the hire-purchase system and inability, owing to unemployment, &c., to maintain the periodical payments. The articles purchased are chiefly cycles and gramophones, but other items are furniture, perambulators, and sewing machines. Practically all the purchasers belong to the poorer working classes. Failure to pay instalments is not of itself a crime, but the offences appear to have been mostly classed as "contempt of Court," in failing to comply with an order of the Court either as to payment or redelivery of the articles hired. The extension of hire-purchase and the instalment system of payment by postal order is fraught with trouble and loss both to the trader who is not very careful as well as to the impecunious purchaser.

Masons and Accountants.

Mr. J. Stewart Seggie, C.A., F.S.A.A., assisted by Mr. D. Lowe Turnbull, M.A., Edinburgh, has written the *Annals of the Lodge of Journeymen Masons, No. 8*, on the Roll of the Grand Lodge of Ancient Free and Accepted Masons of Scotland, and these have been published on behalf of the Lodge in a handsome volume of 427 pages, with fourteen illustrations by Messrs. Thomas Allan & Sons, Edinburgh. The volume is well worth the attention of anyone interested in Freemasonry. Mr. Seggie's recent address to the members of the Incorporated Accountants' Lodge was much appreciated. Although quite unconnected with Masonry, we may record here that Mr. Seggie has recently been appointed President for the year of the Edinburgh Ninety Burns Club, the premier Burns club of Edinburgh.

Golf Match.

Members of the Scottish Branch in the West of Scotland, as well as members of the Glasgow Students' Society, are reminded that a golf match will take place at Troon on Saturday, the 7th inst. Non-golfers, for whom other entertainment is provided, are also invited to attend. Particulars may be had from the Secretary of the Branch, or from the Hon. Secretaries of the Students' Society.

Notes on Legal Cases.

COMPANY LAW.

In re Coliseum (Barrow), Limited.

Directors as Agents and Creditors.

Maugham (J.) held that the signing by the directors of a company of a balance-sheet which shows sums due to directors which are statute barred, is not an acknowledgment sufficient to take the matter out of the statute.

(Ch.; (1930) L.J.N., 266.)

Attorney-General v. Tube Investments, Limited.

Stamp Duty and Increase of Capital.

The Stamp Act, 1891, sect. 112, provides for the delivery of a statement of any increase of registered capital to the Registrar of Joint Stock Companies, such statement to be charged with an *ad valorem* stamp duty of 2s. for every £100 of the amount of the increase.

The Court of Appeal held that a resolution authorising directors to increase a company's capital does not itself effect an increase of capital so as to attract stamp duty.

(C.A.; (1930) L.J.N., 282.)

In re Regent Finance and Guarantee Corporation, Limited.

Liquidator and Money Paid Under a Mistake of Law.

Maugham (J.) held that money paid under a mistake of law to a liquidator ought to be repaid by him to the person who had paid it.

(Ch.; (1930) L.J.N., 283.)

EXECUTORSHIP LAW AND TRUSTS.

In re Dinshaw.

Power of Attorney by Two Executors.

Where a grant has been made to the attorney of two executors and one executor dies, the appointment of the attorney ceases, and on a fresh appointment by the surviving executor the previous grant will be revoked and a new grant made.

(P.; (1930) L.J.N., 268.)

In re Hulton.

Annuity Given Free from Super Tax.

A testator, who died in 1925, by his will made in 1924 directed that "out of the yearly income of my trust estate my trustees shall pay to my said wife during her life such an amount as will give her a clear yearly sum of £12,000, after paying or deducting income tax and super tax at the rates from time to time in force, but not as regards income tax exceeding in the whole 5s. in the pound."

It was held that the annuitant was entitled to the annuity free from the surtax created by sect. 38 of the Finance Act, 1927, in substitution for the super tax.

Ch.; (1930) 46 T.L.R., 348.)

INSOLVENCY.

In re Collier.

Policy of Assurance by Husband for Benefit of Wife.

The bankrupt married in 1875 and in 1876 he took out a policy of assurance, whereby £500 became payable on his death to his executors. The policy contained a recital that the assured had proposed to effect an insurance on his own life for the benefit of his wife in pursuance of the Married Women's Property Act, 1870. In July, 1891, the bankrupt was adjudicated bankrupt, but on April 14th, 1899, he obtained his discharge. The bankrupt's wife died in November, 1918, and the bankrupt died in August, 1929, without having re-married. The question was whether the trustee in bankruptcy was entitled to the policy money or whether it formed part of the deceased's estate.

Clauson (J.) held that the policy money became part of his estate and vested in the trustee in bankruptcy.

(Ch.; (1930) L.T.N., 423.)

REVENUE.

Garland v. Archer Shee.

Income Received in England from Foreign Trust.

The Court of Appeal held that where a beneficiary is ultimately entitled to the dividends in foreign stocks, although the trustees may have a discretion to withhold them for a time, the case is within Case IV, Rule 1, or Case V, Rule 1, of Schedule D.

(C.A.; (1930) L.J.N., 266.)

Diggines v. Forestal Land and Timber Company.

Liability to Income Tax.

The Court of Appeal held that until the passing of the Finance Act, 1926, there was no liability to tax from any source in any year in which no income was derived from that source.

(C.A.; (1930) L.J.N., 282.)